S. HRG. 101-11

NOMINATION OF JACK KEMP

HEARING

BEFORE THE

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS UNITED STATES SENATE

ONE HUNDRED FIRST CONGRESS

FIRST SESSION

ON

THE NOMINATION OF JACK KEMP, OF NEW YORK, TO BE SECRETARY OF THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

JANUARY 27, 1989

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NOMINATION OF JACK KEMP, OF NEW YORK, TO BE SECRETARY OF THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FRIDAY, JANUARY 27, 1989

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
Washington, DC.

The committee met at 10:02 a.m., pursuant to notice, in room SD-538, Dirksen Senate Office Building, Senator Donald W. Riegle, Jr. (chairman of the committee) presiding.

Present: Senators Riegle, Cranston, Sarbanes, Dodd, Sasser, Wirth, Graham, Kerry, Bryan, Garn, Heinz, D'Amato, Kassebaum, Gramm, Bond, Mack, Pressler, and Moynihan.

OPENING REMARKS OF CHAIRMAN RIEGLE

The CHAIRMAN. The committee will come to order.

We are very pleased to welcome this morning the nominee for the Department of Housing and Urban Development, our former colleague and friend Jack Kemp. He is accompanied this morning by the two Senators from the State of New York who come for the purpose of making introductory comments. We are delighted to have them both, and we will begin with you, Senator Moynihan.

STATEMENT OF DANIEL PATRICK MOYNIHAN, U.S. SENATOR FROM THE STATE OF NEW YORK

Senator MOYNIHAN. Mr. Chairman, I do thank you, and I know my colleague Senator D'Amato will do the same, for the opportunity and the privilege and the pleasure of introducing to this committee our former colleague, as you say, sir, and our friend, Jack Kemp who is the President's nominee to be head of the Department of Housing and Urban Development.

Mr. Kemp has been one of the most thoughtful and energizing figures on that side of the aisle. I see many of his fellow Republicans are here to greet him. I read in the press that he has been converted to New Deal extravagance, but we will have to watch whether he can manage it on the short rations of the age.

Just one thing, sir, to say that as he thinks about his work and as we watch it, I think it is fair to ask that it be clear how constrained his situation now is, just by the events of the last year. On the National Economic Commission, we have estimated the outlays by function and constant dollars. Of all those, the one that has taken the greatest reduction in the last 8 years was community and regional development which lost two-thirds of its funds.

That is not the sort of thing to daunt Jack Kemp. He is a man who has taken challenges as opportunities. We welcome him to this enterprise. I commend him to this committee.

The Chairman. Thank you very much, Senator Moynihan.

OPENING REMARKS OF SENATOR D'AMATO

Senator D'Amato. Mr. Chairman, I am going to ask that the whole statement of my remarks be made part of the record as if read in their entirety, and I have several questions.

Indeed, it is a great pleasure and an honor for me to be able to present the nominee, along with Senator Moynihan. I think we have deep pride in the fact that Jack Kemp has chosen New York as his adopted State to make his contribution. And I say "contribution" in the fullest sense, meaning the American participation in the political process.

Mr. Chairman, there is an American tragedy taking place. It is taking place across the length and breadth of our Nation; in particular, in our urban centers. No one is more aware of it than those of us who are seated at this table: Our future Secretary, Jack Kemp; Pat Moynihan, a great historian, student of urban centers.

Our city of New York is not unlike so many others. The streets, the parks, the train and bus depots, have become the safe haven for a mass of humanity that we call the homeless.

Mr. Chairman and fellow members of this committee, no amount of dollars alone is going to solve that problem. It is going to take creative, innovative leadership. I will take the energy that Senator Moynihan spoke about, that dynamism that Jack Kemp has demonstrated in his 18 years as a Congressman.

I might just state that it was Jack Kemp who had the courage to go out and say we have got to reduce the taxes. He did it not just with lip service, because when we campaign we make statements about cutting taxes, but he put together a program of ideas, innovative and creative, that led to, I think, a renaissance in terms of our economic development.

It was Jack Kemp who had started that process before he became Secretary in terms of saying let us create that opportunity, that opportunity to invigorate and bring the private sector dollars into our city where they will not come by way of the urban enterprise zones.

Mr. Chairman, to conclude, let me simply say that we are going to make affordable housing and homeownership more than just a myth; because that dream today is a myth and, in many cases, a cynical myth for so many. We are going to have to have new approaches that will open up the private sector in partnership with government programs to release the pools of hundreds of billions of dollars that otherwise will not flow and certainly are not going to flow from the Treasury of the United States.

In short, in my view Jack is just what the doctor ordered for this situation. And I am pleased to be able to present him with Senator Moynihan, I am delighted and look forward to working with him.

[The complete prepared statement of Senator D'Amato follows:]

STATEMENT OF SENATOR D'AMATO
CONFIRMATION OF JACK KEMP
JANUARY 27, 1989

MR. CHAIRMAN, I AM PLEASED TO WELCOME MY FRIEND AND COLLEAGUE, JACK KEMP, TO THE SENATE COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS. CONGRESSMAN KEMP BRINGS ENERGY AND VITALITY TO THIS POSITION. AS A STRONG PROPONENT OF ADDRESSING THE PROBLEMS AFFECTING OUR FIRSTTIME HOMEOWNERS, OUR PUBLIC HOUSING TENANTS, AND OUR HOMELESS, I WELCOME THE LEADERSHIP OF JACK KEMP.

JACK KEMP HAS A DISTINGUISHED CAREER IN PUBLIC AND COMMUNITY SERVICE. HE WAS A MEMBER OF THE HOUSE OF REPRESENTATIVES FOR 18 YEARS. HE WAS ELECTED TO THE HOUSE LEADERSHIP AS CHAIRMAN OF THE HOUSE REPUBLICAN CONFERENCE IN 1981, AND HE REMAINED IN THAT POST UNTIL HE RESIGNED IN 1987 TO RUN FOR PRESIDENT.

HE SERVES AS VICE PRESIDENT OF NFL CHARITIES AND AS A MEMBER OF THE BOARD OF THE NFL ALUMNI FOUNDATION. HE IS A MARTIN LUTHER KING HOLIDAY COMMITTEE MEMBER. HE IS A MEMBER OF THE ELKS, MASONS, AND THE BUFFALO ROTARY.

JACK KEMP HAS BEEN IN THE FOREFRONT OF ADDRESSING THE PROBLEMS FACING OUR INNER CITIES. HE HELPED DEVELOP THE ENTERPRISE ZONE JOB CREATION ACT TO PROVIDE INCENTIVES FOR EMPLOYMENT AND ENTREPRENEURSHIP IN THE MOST DISTRESSED URBAN

AND RURAL AREAS. IN ADDITION, HE HELPED ADVANCE AN INITIATIVE TO ALLOW PUBLIC HOUSING TENANTS TO MANAGE THEIR OWN PROJECTS AND EVENTUALLY BUY THEIR OWN HOMES. A VERSION OF THIS WAS INCLUDED IN THE HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1987, PL 100-242. HE HAS SUPPORTED FAIR HOUSING LEGISLATION AND ECONOMIC INDUCEMENTS TO IMPROVE LONG-TERM CREDIT MARKETS AND THE AFFORDABILITY OF HOUSING.

AS JACK KEMP HAS BEGUN TO PULL TOGETHER AN AGENDA FOR THE DEPARTMENT FOR THE NEXT FOUR YEARS, IT IS CLEAR THAT HE WILL CONTINUE TO TACKLE THE TOUGH PROBLEMS. HE ACKNOWLEDGES THAT THE HOMELESS EFFORT MUST BE STRENGTHENED. HE REALIZES THAT CERTAIN AREAS IN THE NATION ARE IN DESPERATE NEED OF LOW-INCOME HOUSING.

HE SEES THAT HOUSING IS NOT THE ONLY PIECE OF THE URBAN PUZZLE. HE REALIZES THAT WE NEED TO GENERATE JOBS, TO RAISE THE LEVEL OF EDUCATION, AND TO CRACK DOWN ON THE CRIME AND DRUGS THAT THREATEN THE LIVES OF OUR FAMILIES WHO LIVE IN THE CITIES. A COMPREHENSIVE APPROACH TO TACKLING THE PROBLEMS IN OUR CITIES IS ESSENTIAL IF WE AIM TO TRULY MAKE THE LIVES OF FAMILIES IN OUR CITIES BETTER.

WITH THE ASSISTANCE AND ADVISE OF THE ACADEMIC COMMUNITY, PRIVATE PRACTITIONERS, AND INTEREST GROUPS AROUND THE NATION, SENATOR CRANSTON AND I HAVE BEEN WORKING FOR TWO YEARS TO DESIGN COMPREHENSIVE LEGISLATION TO ADDRESS THE

HOUSING PROBLEMS OF FIRSTTIME HOMEBUYERS, LOW- AND MODERATE-INCOME FAMILIES, THE ELDERLY, THE HANDICAPPED, AND THE HOMELESS. CONGRESSMAN KEMP HAS NOT ONLY EXPRESSED AN INTEREST IN OUR LEGISLATION , BUT HE HAS GIVEN US HIS WORD TO WORK WITH US AS WE MOVE THE BILL TOWARD PASSAGE IN THE SENATE.

SENATOR CRANSTON AND I INTEND TO INTRODUCE THIS LEGISLATION IN THE NEXT FEW WEEKS. THIS BILL, THE NATIONAL AFFORDABLE HOUSING ACT, WILL PROVIDE A STARTING POINT FOR DISCUSSION BETWEEN THE CONGRESS AND THE ADMINISTRATION. WITH THE EXPRESSED COMMITMENT OF SECRETARY KEMP TO THIS PROCESS, I AM LOOKING FORWARD TO A YEAR OF FOCUSSED DISCUSSION ABOUT TURNING AROUND SOME OF THE VERY SERIOUS HOUSING TRENDS OCCURRING IN THE NATION.

THIS IS THE FIRST TIME IN MANY, MANY YEARS THAT CONGRESS AND THE ADMINISTRATION HAVE BEEN ABLE TO WORK TOGETHER IN A BIPARTISAN MANNER TO PROMOTE BROAD LEGISLATION WHICH INSURES THAT HOUSING IS AFFORDABLE FOR ALL CITIZENS OF OUR NATION. JACK KEMP DESERVES THE CREDIT FOR FOCUSSING THE ADMINISTRATION'S COMMITMENT TOWARD THIS GOAL.

AS A SENATOR FROM JACK KEMP'S HOME STATE OF NEW YORK, I HAVE HAD THE BENEFIT OF OBSERVING FIRSTHAND JACK KEMP'S COMMITMENT AND ENERGY. HIS CONCERN ABOUT OUR INNER CITIES IS REAL. HIS PASSION ABOUT THE GROWING UNDERCLASS IS SINCERE.

HIS DEDICATION TO FINDING A SOLUTION IS STRONG. IT IS MY BELIEF THAT THE APPOINTMENT OF JACK KEMP FOR THE SECRETARY OF THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT WILL PROVIDE THE LEADERSHIP THAT OUR CITIES AND OUR NATION SO DESPERATELY NEED. I AM PLEASED TO JOIN THE NUMEROUS GROUPS FROM AROUND THE NATION IN SUPPORTING THE NOMINATION OF JACK KEMP FOR POSITION OF SECRETARY OF HUD.

THANK YOU, MR. CHAIRMAN.

OPENING STATEMENT OF CHAIRMAN RIEGLE

The CHAIRMAN. Thank you, Senator D'Amato.

Mr. Kemp, in your past career, there were many times when you had impressive running backs on either side of you. You have probably the two best running backs on either side of you today that you have ever worked with. So if you can keep them with you, you are going to be a star quarterback in this new job.

Let me excuse our colleagues, as I know they have other meetings to attend. We thank them for their presence and for their remarks and warm endorsement of you.

I also want to welcome you to this committee. You have a number of friends on this committee, and although we may not always agree on each and every issue, you will find up and down this table that you have members here who want to work with you, who want to see you succeed in this job, and who look forward to having a close and productive working relationship with you. Obviously, you have an enormous challenge ahead of you.

I want to add a small historical note that it was actually 8 years ago that Sam Pierce came in for his nomination hearing and was also accompanied by the same two Senators, D'Amato and Moynihan, who just appeared with you. So it is interesting that they are back in a similar situation 8 years hence from that earlier date.

When the Department of Housing and Urban Development was created nearly 24 years ago, its mission was to promote development in our urban communities, to assure that all Americans would have a safe and decent place in which to live, and to encourage the home building and financing industries to advance equal housing opportunities for all. That was really the charter as we started out.

Despite substantial progress toward improving the quality of life for many Americans through such programs as FHA, the Community Development Block Grant, UDAG, the Assisted Housing programs, section 202, and regulation of the manufactured housing industry. The Department and the individual who heads it will face many serious challenges in the coming months and years.

As Secretary of the Department of Housing and Urban Development, you will be responsible for advising the President on a wide variety of issues that directly affect the lives of millions of Americans.

We look forward to hearing your views this morning in a number of areas, including the following:

What you believe to be the proper role of the Federal Government in developing housing opportunities for low- and moderate-income people.

What changes might you support to existing programs like FHA that would promote homeownership?

What is the outlook for vital community development programs like the Community Development Block Grants and the Urban Development Action Grants which you and I have spoken about in our earlier sessions? What is the prospect during the Bush administration?

What initiatives, if any, are you preparing to help our Nation's distressed communities rebuild and provide economic opportunities for their citizens?

And what initiatives, if any, are you preparing to strengthen existing programs to better target the needs of the homeless, the elderly, and the handicapped?

I believe that one of your primary responsibilities as the next Secretary of HUD will be to restore stability and direction to our Nation's housing and community development programs.

During the last 8 years, and it is very important that we start out by putting this fact on the record, funding for these programs has been cut more severely than for any other programs in the Federal budget. They lead the list.

According to the Congressional Budget Office, assisted housing has been cut by 81 percent in real terms since 1980. The section 202 program, which serves the elderly and handicapped, has been cut by 50 percent. And the Community Development Block Grant program, the major program of Federal assistance to communities, has been cut by 47 percent.

It is obvious, I think, that part of the alarming rise of the homeless people of the country, individuals and families alike, derives in some large measure from those very substantial cutbacks in assistance.

In addition to bringing direction and stability to current programs, I believe the next Secretary will also have to rebuild confidence in the Federal Government as an active partner with State and local governments in seeking solutions to our housing and economic development needs.

I want to say to you that it is encouraging for me to see that the groups who represent our Nation's cities and home building and financing industries have already endorsed your nomination. We have been informed that the National League of Cities, the National Association of Home Builders, and the Mortgage Bankers Associations have all endorsed your nomination.

I would ask that their letters of support be printed in the hearing record at the appropriate point.

[Letters referred to follow:]

National Association of Home Builders
15th and M Streets, N.W., Washington, D.C. 20005
Telex 89-2600 (202) 822-0200 (800) 368-5242

President's Office

January 25, 1989

The Honorable Donald W. Riegle, Jr.
Chairman
Committee on Banking, Housing and
Urban Affairs
United States Senate
254 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Chairman Riegle:

On behalf of the more than 155,000 members of the National Association of Home Builders (NAHB), I would like to extend our strong support for the nomination of the Honorable Jack Kemp for the position of Secretary of the Department of Housing and Urban Development.

As the former Congressman of the 31st District of New York, he has played a significant role in the development of this nation's laws which affect housing and economic policy. He was instrumental in amending the 1987 Housing Act to allow the sale of public housing to tenants and included enterprise zones as a means to regenerate the economy of distressed inner cities. Furthermore, he has been a strong advocate for lower interest rates that are so important for first-time homebuyers to qualify for homeownership.

Congressman Kemp has distinguished himself as an energetic, innovative and thoughtful leader. We believe he will bring these skills to address America's housing needs and promote affordable housing through facilitating strong public/private partnerships.

His dedication to this nation and its government has been continually demonstrated. I urge the Committee to confirm Congressman Kemp as Secretary of the Department of Housing and Urban Development.

Sincerely,

Shirley McVay Wiseman

Shirley McVay Wiseman
President

MORTGAGE BANKERS ASSOCIATION
OF AMERICA

[illegible], Jr., Ch
President
Tel. (202) 861-6500
Fax (202) 429-1672

January 30, 1989

The Honorable Donald W. Riegle, Jr.
Chairman
Committee on Banking, Housing and
  Urban Affairs
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

The Mortgage Bankers Association of America is pleased to endorse the selection by President Bush of Jack Kemp to be Secretary of the U. S. Department of Housing and Urban Development. We look forward to working closely with Mr. Kemp on the many housing issues he will face at HUD.

The Mortgage Bankers Association of America is a national trade association representing more than 2,700 mortgage companies, savings and loan associations, savings banks, commercial banks and others in the mortgage lending business. Our members provide mortgage funds for homeownership and the development of multifamily and commercial properties. Mortgage bankers currently service more than $870 billion in home and apartment mortgages and, in the first three quarters of 1988, originated over $278 billion in new mortgage loans.

We believe we are among HUD's principal constituents, recognizing that addressing the housing needs of the nation's citizens is a primary concern of Congress. Members of MBA make and service virtually all loans insured by HUD, and issue nearly all GNMA guaranteed securities. We are proud of the fact that over 10 million American families live in homes of their own with mortgages backed by HUD and made and serviced by our members.

MBA
READY FOR THE FUTURE.

MBA believes that Jack Kemp has displayed a positive, "can do" approach to many of the issues facing HUD. His stature as an American leader will help put housing on the front burner of issues which must be addressed by the Bush Administration.

We wish Mr. Kemp well and thank you for the opportunity to endorse his selection.

Sincerely,

Willard Gourley Jr

Willard Gourley, Jr., CMB

mls

Mortgage Insurance Companies of America

Steven P. Doehler
Executive Vice President

January 27, 1989

The Honorable Donald W. Riegle, Jr.
Chairman of the Senate Committee on
Banking House and Urban Affairs
105 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Riegle:

The Mortgage Insurance Companies of America (MICA) is pleased to provide to the Committee, for the record, full and unequivocal support for President Bush's nomination of Jack F. Kemp to be Secretary of Housing and Urban Development. We believe that Mr. Kemp's background and understanding of housing and budget issues makes him uniquely qualified to help build the private/public partnership that so many of the members of the Senate Banking Committee have recognized to be essential in redefining national housing policy.

MICA represents an industry of individual firms whose sole business is providing mortgage guarantees to help bring affordability to home purchases. We believe a strong commitment must be made by the Federal government to housing but that this commitment must be financially efficient and direct government resources to those in our nation whose needs are greatest. Our industry is confident that Mr. Kemp will put the highest priority on directing government assistance to people in ways that will encourage the greatest participation from private enterprise.

Sincerely,

Steven P. Doehler

805 15th Street, N.W.
Suite 1110
Washington, DC 20005
(202) 371-2899
Fax (202) 371-2875

The CHAIRMAN. So, clearly, there is much that is to be done.

I just want to add one other note before yielding to my colleagues round the table for any introductory comments they want to make.

You have a reputation over your lifetime as a man of real energy and force and sense of direction. That is something that is greatly admired by me and many others. It is a tough assignment. There are an awful lot of people counting on you.

When you think about the people across this country whose lives and circumstances really hinge on the job that the Department of Housing and Urban Development does, it is an enormous responsibility.

In your lifetime before when you were a star quarterback, as your son is today, you were out on the field with a lot of other people that were strong and able and at the very peak of their professional strength and capability, and you could rely on them and they could rely on you. I think in this job, your constituency, your teammates, the folks that are out on the field with you in terms of those that are most directly affected by the programs of HUD, are almost the exact reverse. They are the ones with problems, difficulties. They lack the strength, they lack the traction in many cases in terms of our economic system. They need enormous help, and they have to look to you, I think, as a quarterback in a very different dimension than the capacities you have served in in the past.

I am very much impressed by your commitment to people, your racial sensitivity which you have demonstrated and stated throughout your lifetime. I think you can bring to this Department a kind of energy and movement that it so powerfully needs.

How you do it without money, or without much money, as the budget situation looks now makes it very, very difficult. We have to solve that problem. I want to help you solve it, so I am going to be out there with you. I think the colleagues up and down this table want you to be able to succeed in this job for the benefit of our people. So we are going to do the very best we can to try to work with you to see if we can't get that done.

Senator Garn.

Senator GARN. Mr. Chairman, if I could defer for a moment. Congressman Michel is here and would like to introduce Congressman Kemp.

The CHAIRMAN. By all means. We are delighted to have the Republican leader of the House, our very distinguished colleague.

STATEMENT OF ROBERT H. MICHEL, U.S. REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Representative MICHEL. Mr. Chairman and members of the committee, I apologize for my tardy entrance, and I thank you for the opportunity of saying a few things with respect to my colleague. I would be very remiss if I didn't make the extra effort to come over and do so, because Jack and I have worked closely over a number of years in the House of Representatives.

I don't think it has to be mentioned about his aggressive style, his being an innovator, a thinker, and on so many occasions when we have needed to air some ideas and some new thoughts about things, we have called upon Jack.

I think, quite frankly, the Department of Housing and Urban Development in the last 8 years has been pretty much "stand patism." There hasn't been all that much action. But I think in keeping with the new administration's view or the President's view of a more compassionate administration, that a good measure of that begins with homeownership, providing adequate housing for those who don't have it, and the problem of homelessness.

I think I just heard you, if I heard correctly a moment ago, talking about Jack Kemp's interest in people and being people-oriented. I would certainly subscribe to that. In my view, there is one department of government, quite frankly, that could very well take a 180-degree turn under the leadership of Jack Kemp.

So I would hope that the committee would look with favor upon what he has in mind and his view of things. Frankly, not all of our answers in this area can be answered simply with dollars and cents. There are some changes in approaches and ideas, frankly, that can be accomplished maybe with fewer dollars than simply a piling on and piling on.

So, having said those few things about my friend Jack Kemp, I would hope the committee would certainly look with favor upon his nomination and embrace it unanimously.

The CHAIRMAN. We are very pleased to receive your comments. We don't get enough opportunities to see the minority leader of the House here in the Senate, but we are delighted to have you and we appreciate your comments today.

With that, let me call on Senator Garn.

Senator GARN. Thank you very much, Mr. Chairman.

First, may I ask that my full statement be placed in the record as if read?

The CHAIRMAN. Without objection.

OPENING REMARKS OF SENATOR GARN

Senator GARN. Let me just add it is a great pleasure to have Jack Kemp before this committee. I think the President has made an excellent choice, and I can state that from personal knowledge. I have known Congressman Kemp the 15 years that I have been here and had the opportunity to serve with him in the Congress, but also on a number of key issues.

For 6 years when he was in the Republican leadership in the House and I was in the Republican leadership in the Senate, every other Tuesday we had leadership meetings with President Reagan. So I had the opportunity for 6 years to watch Jack Kemp's enthusiasm firsthand, and never was he in those leadership meetings with President Reagan afraid to speak up and tell the President exactly what he thought. And I am sure that he will be the same with President Bush.

So I think you are an excellent choice. I certainly support your nomination and look forward to working with you over the next 4 years.

[The complete prepared statement of Senator Garn follows:]

PREPARED STATEMENT OF SENATOR JAKE GARN

Mr. Chairman, this morning we have before us President Bush's Secretary designate for the Department of Housing and Urban Affairs. That man is Jack Kemp. Mr. Kemp has been several things in previous professional lives.

A former Congressman, the Secretary designate understanding the legislative process, and the intricate relationship between the executive and legislative branches of Government. He authored many legislative initiatives while a member of the House, including the Kemp-Roth bill written with a new member of this committee. Congressman Kemp understands the arts of negotiation and compromise.

Congressman Kemp is also a former quarterback. Several qualities distinguish the great quarterbacks from the mediocre. Those qualities are the ability to inspire teammates to win against formidable odds, to attempt creative plays when the tried and true have failed, and the ability to get out from under the bottom of the pile after being sacked.

It is my considered opinion that we are in dire need of a world class quarterback as Secretary of HUD. I am delighted that President Bush has selected Congressman Kemp as that man. I also believe that Congressman Kemp will need to call on all his former experiences to do the job that awaits him.

We need a leader at HUD. Someone who can inspire those working for him to achieve greater things than they themselves thought possible.

The budget deficit is a cloud hanging over the problems of homelessness, housing for people with special needs, first-time home buyers and assisted housing. With little financial resources, we need a creative problem solver like Congressman Kemp to find new solutions to old problems.

HUD requires Congressman Kemp, who is tireless and indefatigable, a man committed to bringing a team into the win column again. Congressman Kemp has my complete support in becoming Secretary Kemp, and I welcome his comments before the committee today.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Senator Garn.

Senator Cranston.

OPENING STATEMENT OF SENATOR CRANSTON

Senator CRANSTON. Thank you, Mr. Chairman.

Good morning, Jack. I am delighted that you are before us today, and I welcome you to this hearing.

I am truly pleased by your selection as the new Secretary of Housing and Urban Development. As chairman of the Subcommittee on Housing and Urban Affairs, I look forward to working closely with you. I believe you have the energy and the ability that can bring new life to a Department that has been seriously weakened over recent years.

I have been encouraged by our recent conversation. This committee has been working on Housing and Urban Affairs for several years in a spirit of very strong bipartisanship. I expect that same cooperative spirit will mark this committee's work with you and others in your administration.

I know you share my enthusiasm about the work that lies before us and the challenges that we face together. I am convinced we have a rare opportunity to launch a fresh, vigorous, successful attack on the country's housing and urban problems, problems that are becoming ever more urgent.

I think you and I have much in common. We both are committed to end the scandal of homelessness in America. We have learned that homelessness is not an isolated problem. It is one bitter symptom of a whole chain of problems that make decent housing increasingly unaffordable for all too many Americans.

We both support full funding for the McKinney Act, as does President Bush. But we must go beyond the McKinney Act to deal with the root causes of homelessness in America. We both support an increase in tenant management and ownership of public housing. The 1987 Housing Act took an important step in this direction. I am sure we can make further progress without reducing the Nation's very scarce supply of housing for the poor.

We both believe that tenant-based housing assistance must be a key element in national housing policy. I am sure that together we can improve on the tenant-based assistance programs by building on the best features of vouchers and section 8 certificates.

We both understand the need for improving incentives for the production of housing for low-income and moderate-income families. I hope that the administration, the banking committees, and the tax committees will develop an effective mix of incentives.

We both support enterprise zones. You have been a pioneer on that front. The 1987 Housing Act authorized only the framework for enterprise zones. Let us endeavor to take the next steps that are necessary to transform the enterprise zones into a truly powerful tool for urban economic development.

We both believe the country needs to develop partnerships among the government, the private sector and nonprofit organizations, mobilizing the Nation's resources to provide decent affordable housing and economic opportunity for all Americans.

Most importantly, we share a common desire to search widely for the country's best and most workable ideas. We can put those ideas to work providing decent and affordable housing, improving the quality of life in our cities, and expanding economic opportunity for those who have been disadvantaged.

We have made enormous progress during the past 2 years preparing to deal with housing problems. Senator Al D'Amato and I issued a nationwide invitation to build an effective new housing policy and we have received a remarkable outpouring of enthusiasm and effort.

Virtually every major housing organization came forward with carefully considered recommendations. Under the leadership of MIT, some of the Nation's top housing researchers experienced and made recommendations on housing policy. A landmark effort came from the National Housing Task Force which included housing leaders from private industry, State and local government, and nonprofit organizations, led by Jim Rouse and David Maxwell. I am glad you have already met with Mr. Rouse and Mr. Maxwell. I know that they emerged from those meetings with you, enthusiastic about the prospects of working with you successfully.

The Senate Housing Subcommittee has held an extensive series of hearings on the future of Federal housing policy. I believe the ideas that have emerged are the best the country has to offer. These are not Democratic ideas. They are not Republican ideas. They are just sound, imaginative workable ideas for improving America's housing.

We are now drafting these recommendations into the National Affordable Housing Act which we hope to introduce early next month. We delayed introducing the bill, in part, so that we could consult with you and others in your administration.

My sincere hope is that the new administration will work closely with us to refine the bill and launch an effective national housing policy very, very soon.

You couldn't be coming to this responsibility at a better, more challenging time. I am excited by the possibilities for cooperative and productive work that lie before each of us.

Thank you very much.

[The complete prepared statement of Senator Cranston follows:]

PREPARED STATEMENT OF SENATOR ALAN CRANSTON

Mr. Kemp, I welcome you to the Banking Committee this morning.

I am truly pleased by your selection as the new Secretary of Housing and Urban Development. You have the energy and abilities that are sorely needed to bring new life to a Department that has been severely weakened in recent years.

I have been encouraged by the conversations you and I have had in recent weeks. This committee has been working on housing and urban affairs for several years in a spirit of strong bipartisanship. Now I expect that same cooperative spirit will mark this committee's work with you and others in your administration.

I believe you share my enthusiasm about the work that lies before us. I am convinced we have a rare opportunity to launch a fresh, effective attack on the country's housing and urban problems—problems that are becoming ever more urgent.

We have much in common.

We both are committed to end the scandal of homelessness in America. This Committee led the effort to enact the McKinney Homeless Assistance Act. And we have learned clearly that homelessness is not an isolated problem—it is one bitter symptom of a whole chain of problems that make decent housing increasingly unaffordable for many Americans. I'm sure we can work together, not only to fully fund the McKinney Act, but also to solve the root causes of homelessness in America.

We both support an increase in tenant management and ownership of public housing. The 1987 Housing Act took an important step in this direction. I'm sure we can make further progress without reducing the nation's very scarce supply of housing for the poor.

We both believe that tenant-based housing assistance must be a key element in national housing policy. I'm sure that, together, we can find better ways to do this—by building on the best features of vouchers and section 8 certificates.

We both understand the need for improving incentives for the production of housing for low-income and moderate-income families. I'm sure that the Administration, the Banking Committees and the tax committees can together develop an effective mix of incentives.

We both support enterprise zones. The 1987 Housing Act authorized only the framework for enterprise zones. I'm sure we can make them into a powerful tool for urban economic development.

We both believe the country needs to build partnerships among government and the private sector and non-profit organizations—mobilizing the skills and resources that the nation has to provide decent, affordable housing and economic opportunity for all Americans.

Most importantly, we share a common desire to search widely for the best and most workable ideas that the country has to offer—so that we can put those ideas to work to provide decent and affordable housing, to improve the quality of life in our cities, and to expand economic opportunity for those who are disadvantaged.

We have made enormous progress in this regard during the last two years. Senator Al D'Amato and I issued a nationwide invitation to build an effective, new housing policy—and we received a remarkable outpouring of enthusiasm and effort.

Virtually every major housing organization came forward with carefully considered recommendations. Under the leadership of MIT, some of the nation's top housing researchers reviewed what we have learned about what works in housing policy. A landmark effort came from the National Housing Task Force, which included housing leaders from private industry, state and local government and non-profit organizations—led by Jim Rouse and David Maxwell. The Senate Housing Subcommittee has held an extensive series of hearings.

I believe the ideas that have emerged are the best the country has to offer. They are not Democratic ideas. They are not Republican ideas. They are just sound, imaginative, workable ideas for improving America's housing.

We are now drafting those recommendations into the National Affordable Housing Act, which we hope to introduce early next month. It will be bipartisan legislation. My sincere hope is that the new Administration will work closely with us to refine that legislation and launch an effective national housing policy without delay.

You couldn't be coming to this job at a better time. I'm excited by the possibilities for cooperative and productive work that are before us.

The **CHAIRMAN**. Thank you, Senator Cranston.

Senator D'Amato.

Senator **D'AMATO**. Mr. Chairman, if I might, I know Senator Gramm has some time constraints and he said he has to be out of here by 10:30. We would save the committee a lot of time if I could yield to him.

The **CHAIRMAN**. Senator Gramm.

OPENING STATEMENT OF SENATOR GRAMM

Senator **GRAMM**. Thank you, Al.

Mr. Chairman, let me thank my dear friend Al D'Amato. I know, in part, his generosity is due to the fact that he views this appointment as somewhat our token non-Texan on the Cabinet, and I view it as a lot more than that.

I hear our chairman talking about our friend as a star quarterback. I remember him being elected to Congress because he had 2 years left on his contract and the voters were afraid that he might exercise it. [Laughter.]

Mr. **KEMP**. Is this a roast, Senator?

Senator **GRAMM**. No. But I figured with all of the good things that had been said about you, if they were saying that last year you would be President. [Laughter.]

Mr. **KEMP**. Where were they when I needed them?

Senator **GRAMM**. Mr. Chairman, I am happy to be here. I support Jack Kemp's nomination. I am not going to be swayed by what may be said in 1 or 2 hours of hearings. I have known Jack Kemp for 15 years. He is a man that understands that the most powerful thing in the world is somebody who stands up and says, "I have an idea." And if there is one thing we are short on in American Government, it is ideas.

It is a great paradox that we have the finest housing in the world and we spend less Federal money on housing than probably any other developed nation on earth. How is that? Because, for the major segment of our economy, it is the private sector that generates housing. It seems to obvious to me, as I am sure it does to our next Secretary of HUD, that we need to get that same private genius and creativity working on trying to generate affordable housing for people who have not been able to achieve the highest economic aspiration of the American dream, which is homeownership.

I am delighted to hear people talking about private initiatives as part of our public housing program, about enterprise zones. Quite frankly, I think the problem of urban redevelopment and housing for the poor is too big for government. I think we need to bring the private sector into it.

I am excited about your appointment, Jack, because I believe that you are exactly the person to bring these creative ideas, not just in terms of presenting them, but doing the hard work of selling them to Congress. I look forward to working with you, and I congratulate our President on your appointment.

The CHAIRMAN. Senator Bryan.

OPENING REMARKS OF SENATOR BRYAN

Senator BRYAN. Mr. Chairman, just to re-echo what has been said, I too look forward to working with Congressman Kemp. I had a discussion with him yesterday in my office. I felt it was constructive and certainly informative from my perspective.

Congressman, I was delighted to hear your interest in continuing the Mortgage Revenue Bond program that, from the State perspective, has been terribly helpful in providing homeownership for first-owner families, and equally delighted that you recognize the importance of protecting the mortgage interest deductibility as part of our tax code.

I will reserve further comments until I have a chance to ask questions, Mr. Chairman.

The CHAIRMAN. Senator D'Amato.

Senator D'AMATO. Mr. Chairman, I don't mean to go into all those things that have been said.

Senator GARN. We have already heard from D'Amato. Do we have to listen again?

Senator D'AMATO. That's what I get for keeping it so brief.

I know that the entire committee and particularly Senator Cranston and I who had the opportunity, both as chairman and ranking member of the Task Force on the Committee on Housing, look forward to working with Jack and his staff in harnessing that kind of creative energy and the ideas that he has in making a difference.

I have to say that President Bush, in selecting Jack Kemp, couldn't have come up with a better person for a time when there is such crisis in this area. And again, I think Phil Gramm was absolutely right when he indicated we are not going to meet the Nation's housing goals through the Federal Treasury. That money is just not there.

But through a combination of recognizing through incentives, through the tax code, through the leadership that will open up that pool of private money, the hundreds of billions of dollars that can be leveraged, I think we can make a difference.

And I am tremendously excited about the opportunity of this committee being able to work with our new Secretary of HUD.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator Dodd.

OPENING REMARKS OF SENATOR DODD

Senator DODD. Thank you, Mr. Chairman.

This love feast, Jack, can't go on much longer. But, Mr. Chairman, I would ask unanimous consent that my opening comments be made a part of the record.

The CHAIRMAN. Without objection.

Senator DODD. Let me just say I have had the pleasure of serving with Jack in the House, Mr. Chairman. We have been very good friends for a number of years. His lovely wife I see on numerous occasions. And all of us, I think you can sense, Jack, already are pretty excited about the fact you are going to be taking over this Cabinet post, particularly in light of the major problems we face.

As I said to you in our private meeting, you may have the unique distinction of being the first Secretary of Housing in some years to have to make an announcement next year or the year after about how many units have actually been lost because of the programs 20 years ago that allowed for those to be taken condo, in a sense. So an awful lot of units that today are available to elderly folks or middle-income or lower-income folks may be lost in the next couple of years and that is going to be a major challenge.

Obviously, trying to come up with some creative ideas that will make it possible to expand the market of affordable housing, and obviously it's going to have to be done with a combination of resources—coordinating tax and spending policy is a major goal. It's nuts, to be put bluntly, that we will sometimes come up with programs that authorize assistance for housing and turn around in the tax code and undo all of that the next day or the next month.

So I hope we will get some coordination. And, frankly, I suspect with you at HUD, we will get that kind of coordination. So I look forward to working with you. The enterprise zones obviously have been mentioned, a very good idea; the Urban Home Study, again things that you are interested in.

Right today, unfortunately, the dream that Phil Gramm talked about of homeownership is further removed than it has been in many a decade. Housing historically, while it was Franklin Roosevelt in 1937 that started it, some of the best programs that we have in this country today came as a result of Republican initiatives back 20 years ago. So housing has been really a bipartisan effort for the most part of this century, and we look forward to getting back to that goal again.

So I am delighted to be a part of this hearing this morning, Mr. Chairman, to enthusiastically endorse this nomination and look forward to working with Jack.

[The complete prepared statement of Senator Dodd follows:]

STATEMENT

Senator Christopher J. Dodd

at

Nomination Hearing of Congressman Jack Kemp

for

Secretary of Housing and Urban Development

Friday, January 27, 1989

MR. CHAIRMAN, IT'S A GREAT PLEASURE TO BE HERE TODAY AND PARTICIPATE IN THE NOMINATION HEARING OF MY GOOD FRIEND AND HOUSE COLLEAGUE, JACK KEMP, TO BE SECRETARY OF HOUSING AND URBAN DEVELOPMENT.

ONE OF THE ANCIENT POETS -- VIRGIL, I THINK -- EXHORTED US TO "LOOK WITH FAVOR UPON A BOLD BEGINNING." WITH YOU, JACK, AND WITH THE ENERGY AND ENTHUSIASM YOU BRING TO THE SECRETARY'S OFFICE AT HUD, WE HAVE REASON TO LOOK WITH FAVOR UPON THE BOLD BEGINNING YOUR STEWARDSHIP SIGNALS AND WE HAVE REASON TO EXPECT THE BOLD RETURN OF HOUSING TO ITS RIGHTFUL AND HIGH PLACE ON THE AGENDA OF NATIONAL PRIORITIES.

AFFORDABLE, DECENT HOUSING -- A FUNDAMENTAL COMPONENT OF THE AMERICAN DREAM -- HAS NEVER BEEN MORE OUT OF REACH FOR AMERICAN FAMILIES. AND THE PROUD STREETS AND AVENUES OF MOST AMERICAN CITIES ARE NOW PAVED WITH THE BROKEN DREAMS OF THE HOMELESS.

SHELTER IS A BASIC NEED, A NEED ADDRESSED BY NATIONAL LEADERS ACROSS THE POLITICAL SPECTRUM FOR HALF A CENTURY. ALTHOUGH IT WAS A DEMOCRATIC PRESIDENT, FRANKLIN ROOSEVELT, WHO IN 1937 FIRST AFFIRMED A FEDERAL COMMITMENT TO DECENT HOUSING FOR EVERY AMERICAN, MUCH OF THE FEDERAL SPENDING ON HOUSING HAS OCCURRED UNDER REPUBLICAN ADMINISTRATIONS, PERHAPS MOST NOTABLY UNDER NIXON AND FORD, WITH THE BIPARTISAN SUPPORT OF CONGRESS.

THAT PATTERN CHANGED DRAMATICALLY -- AND REGRETTABLY -- IN THIS DECADE: HOUSING FUNDS WERE SLASHED BY 70 PERCENT UNDER PRESIDENT REAGAN. THE RESULT IS THAT TODAY OUR HOUSING PROBLEM HAS GROWN TO PROPORTIONS UNCONSCIONABLE FOR THE GREATEST NATION IN THE WORLD, AND UNSEEN SINCE THE DEPTHS OF THE GREAT DEPRESSION.

THE NEED TO RE-ESTABLISH A FEDERAL HOUSING ROLE HAS NEVER BEEN MORE URGENT. LAST CONGRESS, SENATOR D'AMATO AND I INTRODUCED THE HOUSING GRANT ACTION PROGRAM (GAP) ACT WHICH REPRESENTS A REALISTIC, FEDERAL APPROACH TO CREATING HOUSING BUT WHICH EMPHASIZES LOCAL AND STATE EXPERTISE AND FLEXIBILITY. THE GAP ACT PROPOSES TO BRIDGE THE "GAP" BETWEEN TAXPAYER DOLLARS AND

INTENTIONAL
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CONSUMER NEED BY RECOGNIZING THE CENTRAL ROLE OF STATE AND LOCAL GOVERNMENTS AND NON-PROFIT ORGANIZATIONS IN THE ESTABLISHMENT OF AND EFFECTIVE NATIONAL HOUSING POLICY; USING LIMITED FEDERAL RESOURCES TO LEVERAGE SUBSTANTIAL PRIVATE INVESTMENT; TARGETING LIMITED FEDERAL RESOURCES BASED ON NEED; AND BETTER COORDINATING TAX AND SPENDING POLICIES. I MENTION THE GAP ACT, JACK, BECAUSE IT IS A PARADIGM FOR THE 1980'S: A BIPARTISAN SOLUTION INCORPORATING THE BEST COST-SAVING IDEAS BOTH DEMOCRATS AND REPUBLICANS HAVE TO OFFER. IT REFLECTS A CONSENSUS THAT WHILE ARDUOUS AND PAINFUL BUDGETARY DECISIONS CONSTRAIN EVERY AREA OF POLICY DEBATE, THE ADMINISTRATION AND CONGRESS HAVE CUT HOUSING DOLLARS BEYOND THE BOUNDS OF REASON DURING THE PAST EIGHT YEARS -- AND POLICY MUST CHANGE.

THERE IS A BIPARTISAN SENSE IN THIS CONGRESS THAT TOO MUCH DISTANCE HAS GROWN BETWEEN THE RHETORIC AND REALITY OF THE AMERICAN DREAM OF HOME OWNERSHIP. IT IS MY HOPE THAT THE BUSH ADMINISTRATION AND THE KEMP DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT WILL WORK WITH CONGRESS TO MAKE A STRATEGIC INVESTMENT IN THE FUTURE OF A NATION THAT HAS BADLY NEGLECTED HOUSING -- AND REAPED DEVASTATING CONSEQUENCES.

JACK, I WELCOME YOU HERE TODAY AND LOOK FORWARD TO FASHIONING WITH YOU AND OUR COLLEAGUES ON BOTH SIDES OF THE AISLE, A NATIONAL HOUSING POLICY WORTHY OF THE TRUST OF THOSE WHO LOOK TO US FOR LEADERSHIP.

The CHAIRMAN. Senator Mack.

OPENING STATEMENT OF SENATOR MACK

Senator MACK. Thank you, Mr. Chairman.

Jack, it is a very special opportunity and privilege to have you before the committee today. We have worked together 6 years. I came into the Congress in 1983 as a freshman, never involved in politics. And I have said to you before, you have had an impact on many new Members of the Congress, both Republican and Democrats, and particularly with an individual like me, you were a great leader for our party and in our Congress, in the House. And as I have said to you before, I had hoped that you would play a major role in the Bush administration, and I am just delighted that you are doing that.

The words "enthusiasm," "energy," "intellect" all come to mind, have been mentioned. I think that really what that translates into is the "can do" spirit, the belief that individuals can succeed, and I think that that is not only a feeling that you are going to develop for all Americans, but also within the Department itself, a reenergizing of their beliefs and their ideas and their concerns about the American people.

I think also we are really beginning today, and it is "we," we are beginning today that first step in reestablishing the American dream of homeownership. I think that George Bush's decision to nominate you for this position really caught the imagination of the entire Nation. So I am delighted to have this opportunity to be with you.

The CHAIRMAN. Senator Sarbanes.

OPENING STATEMENT OF SENATOR SARBANES

Senator SARBANES. Thank you very much, Mr. Chairman.

I am pleased to join with my colleagues in welcoming Jack Kemp to the committee. We came to the House of Representatives together in 1971 and, while we have differed on a range of issues over the years, I think it has always been a difference based on respect and understanding in the best traditions of our political system.

I must say I think one of the reasons that your nomination is greeted with such favor is a perception on the part of members of this committee that you really will try to come to grips with some of these problems which I think we perceive as being deep and widespread.

While the Nation has made significant progress in housing over the last half century, there are trends developing in recent years that are of concern. Homeownership has turned down for the first time since 1940. Young couples find it increasingly difficult to afford a home, so that dream is diminishing.

The availability of housing for low-income households is diminishing. In fact, the number of low-income households that pay more than 50 percent of their income for rent has more than doubled over the last few years. Right there, you have low-income households taking more than half of their income in order to meet the rent bill. And, of course, the homeless problem is a national tragedy.

These are all problems that need to be addressed. I think that there is a perception that you will address them, try to come to grips with them in a practical and pragmatic way. I have found you to be a person of ideas who is not so rigid or inflexible with respect to the ideas that you are unwilling to listen to others and try to accommodate differing perspectives and bring them together in an effective program to get something done.

In that regard, I was pleased to note in the statement that you are about to make at some point here this morning, that in talking about homeownership and public housing you go on to say that you hope to work with the committee to facilitate tenant management and homeownership around the Nation in every way possible without depleting the stock of housing available to low-income people, which of course has been one of the concerns about that approach.

In other words, you get these proposals to do it, but then there is not an answer to the question of depleting housing available to low-income people, which is what has happened, as I understand it, in Britain which is held out as an example of moving in this direction.

While they have done that in Britain, one of the consequences apparently has been to deplete the stock of housing available to low-income people. So I think the inclusion in your statement about the potential for depletion of public housing stock is a reflection of your recognition of this concern.

Finally, let me say I think there is a tremendous opportunity here to move because of the pioneer work that has been done by Senators Cranston and D'Amato and the extraordinary contribution that has been made to the public debate by Jim Rouse and David Maxwell with respect to that task force which brought together all of the private groups in a show of consensus that is almost unprecedented, once again prodded I think at all times by Senators Cranston and D'Amato.

So I think there is an agenda that has been developed, a proposal that makes exceedingly good sense. That is not to say it will be adopted in every particular, but I think the path has been set out there, and I am very hopeful that as we face this problem of the Nation's unmet housing needs, it is going to require you fighting for some resources within an administration budget.

That brings me to my final point. Senator D'Amato and I were very much involved in getting the Nehemiah program in the law. It has worked well where it has been tried. We think it has tremendous possibilities. You were a strong supporter of it in the House of Representatives, which we were very pleased to see.

We were even able to get an appropriation for it in the budget that just passed this last year, $20 million. Regulations were promulgated by HUD in mid-November and a lot of cities and private groups, since it involves a public-private partnership, were lining up to make their applications and try to get moving. Unfortunately, the budget submitted by the outgoing administration seeks to rescind that $20 million.

I would hope that when the President comes to the Congress in February with a revised budget, that part of that revision will be to once again commit this $20 million that was appropriated for this fiscal year. So, it is something you can move on right away. You don't turn off an initiative which is in process, which has a lot of people at the local level both in the public and private sectors very excited, and at least get that commitment as then we begin to consider what other commitments we might make to help carry through the Rouse-Maxwell recommendations as pushed and developed by the Cranston-D'Amato task force.

But I think you are going to find the committee here anxious to work with the new Secretary, concerned to get something done, concerned that it be done in a practical, sensible way and not caught up in a rigid ideological approach. There is so much to be done and there is so much that I think can be done, and I think we can begin to come to grips with this problem of housing for the homeless, young couples, low-income people, and so we look forward to that opportunity of working with you.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Pressler.

Senator PRESSLER. Senator Heinz has asked me to yield 1½ minutes to him, and in view of his support of the farm programs I have agreed.

The CHAIRMAN. Senator Heinz.

OPENING STATEMENT OF SENATOR HEINZ

Senator HEINZ. And I ask unanimous consent that whatever time I take not be deducted from Senator Pressler's time. And I thank him because I have to go back to the Finance Committee for Carla Hills.

I must tell my colleagues that when I received word that Jack Kemp was going to be nominated as Secretary of HUD, I called him later that afternoon to congratulate him, because I thought he was going to give the direction and energy and leadership to HUD that I think we would like to see.

He said, "Well, you're the first person who has called me to let me know that I have been nominated." And it wasn't until a week after that, that his nomination actually was announced to him. His words were, "You're the only phone call I've received from anybody, including anyone down at the White House."

But my enthusiasm for Jack—and I know many of you share it—is more than based on the fact that he and I entered the House together back in the 92nd Congress, that we worked on many projects together, that he is a personal friend, we have had athletic contests together——

Mr. KEMP. None of which I have won.

Senator HEINZ [continuing]. But that he is a friend of ideas. And I have no doubt that the ideas that he is going to bring to the problems of our Nation's cities are going to be paramount in fighting the war that we must fight and win to create an urban strategy to win the battle of homelessness, and to overcome the tremendous barriers that lack of education, too little opportunity, have created.

Of course, if it was just energy and creative insight that made someone successful, then there would probably be a lot more successful people in the world than there are today. There is one other thing, though, that it takes to be a good Secretary, particularly at

HUD. That is, that you must understand how the average person, how the person in the city, lives.

Jack has been there. He has literally been in the trenches. He has been on his back when some big lineman hit him. He is of the cities. He is of Buffalo. He understands that for other people to be good citizens, they cannot subsist on a diet of too much ignorance, too few job opportunities, and too little hope.

His sense of citizenship, I think, is profound and will give him the compass that will direct his energy and his profound creativity. And, Jack, I think I may vote for you.

Mr. KEMP. Thank you. Thank you very much.

Senator HEINZ. Thank you, Senator Pressler.

The CHAIRMAN. Senator Graham.

OPENING REMARKS OF SENATOR GRAHAM

Senator GRAHAM. Thank you, Mr. Chairman. I had the opportunity to spend an hour with the soon-to-be Secretary yesterday and was very impressed with his commitment to achieving the goal of an empowered American people, giving to people greater capacity to control their lives through realistic choices and the means to exercise those choices.

I want to thank the Secretary-designate for his particular interest in the situations in our State, specifically in Miami where he met over the past weekend with a number of the leaders, and I am certain that they told him as they have told me, the central role of housing, jobs, economic development.

I am impressed with his sensitivity and commitment to that particular community which in many ways is a microcosm of other communities around America under particular stress.

I applaud the leadership that he will provide to our Nation and look forward enthusiastically to voting for his confirmation and to working with him.

The CHAIRMAN. Senator Pressler.

OPENING STATEMENT OF SENATOR PRESSLER

Senator PRESSLER. Thank you very much, Mr. Chairman.

I, too, want to join in congratulating my former colleague with whom I served in the House of Representatives and say with a bit of pride that another of his home States is South Dakota, where Kemp Avenue in Watertown is named after his ancestors.

Also, I too had a chance to visit with you, Jack, and I talked to you about and will be asking you more about some of the problems in smaller towns and cities. Indeed, on Indian reservations there is much HUD housing and it gets broken up after a few years and so forth—whether we can improve that with a private initiative.

There is also the problem of some of our small towns in urban development, and I speak as one who helped out in our urban development centers. Indeed, I helped out with the loan to New York City some years ago, which I thought was an appropriate thing.

But the point is we also have economic development, urban developments problems in small towns and cities. We also have across our State problems that are unique, and I have discussed many of those with you and I will be having some questions. I have to go to another hearing. I will be back and forth.

But I congratulate you. I think you bring a sense of energy and leadership that we are looking for. In this housing thing, I think we are the verge of a major crossroads in legislative history in terms of involving the private sector, in terms of what we are going to do about the homeless, and that we should recognize that that problem is not merely a lack of availability; it is also, I am told, a problem of the ability to detain certain people in housing and so forth, Supreme Court decisions that have been made.

So there is a broad range of problems that you fact, and I certainly am ready to work with you.

The CHAIRMAN. Thank you, Senator Pressler.

Senator Wirth.

OPENING STATEMENT OF SENATOR WIRTH

Senator WIRTH. Thank you, Mr. Chairman and Congressman Kemp. We appreciate your being here. And Ren and I have so enjoyed working with you and Joanne on so many issues over the last year, and look forward on this front as well.

I am very pleased you are taking on this modest and easy assignment. Good luck.

As you know, as we talked the other day, and I don't have to go into this at any length, I have a couple of concerns in particular. One relates to that region of the country that I represent, also Texas, Louisiana, Oklahoma, that has had such a very, very difficult time economically.

As you and I talked, there is a lot of HUD authority that allows HUD to work with people who are down and out economically to help them reschedule the financing of their houses and a lot of opportunities there as well for us to think a little more creatively than we have in the past about what we do with HUD foreclosed housing and how we get that back into the marketplace for people who are homeless, people who are also down and out. I think we can do that. I think we can do that well.

The CHAFA program in Colorado has just been approved by HUD, I think with your help. We talked about that and we appreciate that, and I think that may be a model for us in the future.

So, one, I think the regional problems that we have are ones that you are going to have to address and I think everybody out there is very interested in seeing what we might be able to do.

Second, I think that with the increased concerns that we have about global warming and various environmental issues, we have a major responsibility to look at the housing stock and the building stock in this country to see what we can do to make it a lot more energy-efficient.

If we are going to be serious about the production of carbon dioxide and slowing that down, slowing down the burning of fossil fuels, and slowing down the greenhouse effect, we are going to have to get more serious about energy conservation. And one of the greatest areas of opportunity is clearly our building stock.

I know you are interested in that. I hope that you find that HUD is receptive to your ideas. We have got to push them really hard, I think, as we do all of the agencies, to get energy conservation back at the top of the agenda.

Anyway, welcome. We are glad you are taking this on. Joanne, delighted that you will be there fighting the good battle. We know where to come when we really have to get something done.

Thank you very much, Mr. Chairman.

The CHAIRMAN. Senator Bond.

OPENING STATEMENT OF SENATOR BOND

Senator BOND. Thank you, Mr. Chairman.

It is a real pleasure to welcome Congressman Jack Kemp to the Banking Committee as the designee for the Secretary of HUD. I know that there will be many more appearances. We obviously have many things to talk about and work on.

Jack, it is particularly gratifying to me as a Missourian that several of the programs which you have identified as top priorities, particularly enterprise zones and tenant management of public housing, have been tried in Missouri with considerable success.

We will be discussing further how we can duplicate these programs on a national level, and I think there are tremendous opportunities ahead.

With respect to another important area, with all the talk we have heard around town about new wind blowing, there is probably no area where a breath of fresh air is more needed than in housing. I think that our colleagues, Senators Cranston and D'Amato, have done us all a great service with their hard work in trying to come up with a new housing bill, and we too are looking forward to your input.

This is an exciting and very challenging time to be working on housing and community development issues. Something has to be done about homelessness and substandard housing for low-income Americans. But, in addition, I am concerned about and look forward to working with you on the problem about the obstacles faced by first-time home buyers in America.

There is lots to be done. We look forward to working with you. In the interests of time, I will forgo the obvious references to sports analogies.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Kerry.

OPENING STATEMENT OF SENATOR KERRY

Senator KERRY. Thank you very much, Mr. Chairman.

I also join everybody in welcoming you. I wonder how it feels suddenly to be on the receiving end of opening statements, waiting to testify, whether you will comment on that.

But I just want to thank you for taking the time to come in and visit for as long as you did and for the forthrightness of your comments. Of course, I am delighted you are going to be visiting some of our projects in Massachusetts.

In the interests of time, I would just incorporate by reference the comments of Senator Sarbanes and Senator Wirth, and I look forward to working with you on this. Judging by the accolades and pledges of support so far, we can just take your testimony, put it in the record, and you can go home.

Senator **Sarbanes**. He can go to work, not go home.

The **Chairman**. Senator Sasser.

OPENING STATEMENT OF SENATOR SASSER

Senator **Sasser**. Thank you very much, Mr. Chairman.

I would say to Congressman Kemp that he is here almost a day too late. Yesterday I was railing against the high interest rate policy of the Federal Reserve Board, and I wish you had been here because I think you would have enjoyed it and probably joined right in.

I want to congratulate Jack Kemp on his nomination. Over the years I have watched the work of Congressman Kemp in the House of Representatives with great interest. We have not agreed on all issues. We have agreed on some. But I have admired his energy and his vigor. He is taking on a monumental task here, and I think that energy and vigor can be put to good use.

According to the National Academy of Sciences, there are 500,000 children that are in the streets of this country every night. They are not runaways. They are part of families, often working families who simply can't find housing.

And, as Senator Bond indicated just a moment ago, first-time home buyers, young people, have enormous difficulty now in purchasing a house. Homeownership among 26- to 30-year-olds has declined 20 percent in the past 7 or 8 years.

I might say, Senator Bond, I have some legislation on that subject I would sure like to get you interested in.

But this difficulty in first-time home buyers or young families buying houses means that more families have to rent, and this is one big reason why rental housing is becoming expensive and more scarce. It is estimated that well over half of poor families now pay over 50 percent of their income in rent.

Well, I think we have a housing crisis in the country, but I think we have also got an enormous opportunity. I think for the first time in a long time we have got a Congress and we have got an administration that realizes there is a problem and there is significant sentiment to get on with the job and get it done.

So I welcome you here today, Jack Kemp, and look forward to hearing your testimony. Thank you.

The **Chairman**. Mr. Kemp, I think the comments that you have heard from colleagues this morning and the very substantial turnout and participation carries several messages with it. One obviously is the affection and friendship that many have expressed, but I also think that the real power behind the remarks that we have heard this morning is that there is intense interest in this Cabinet office and the challenges that are before you and before all of us.

I think what has been said here, and this is probably your first opportunity to see this committee, by and large, seated at one time, to get an idea who the team is on this side, the legislative branch, the Senate, that you will be working with.

I think you have heard expressions of concern and intent and seriousness from this committee today that goes far beyond what often is the case. I think we are poised as a group to want to sit down immediately and get rolling with an agenda, hammering out a strategy, having the give and take that is necessary to really get this show on the road. So you are having the chance to get a full flavor of that this morning. I think it is a very important message that is being delivered in the aggregate.

Before I administer the oath and ask you to make your statement, I would like to invite you to introduce your family, if you would, to the committee. I know they are here, and we are delighted that they are, and I think we should have you introduce them to us.

Mr. KEMP. Thank you, Mr. Chairman.

I am blessed with a beautiful family. My daughter Jennifer can't be here today, and our son Jeffrey, who is a quarterback with the Seattle Seahawks, lives in Seattle with his family.

But I would like to introduce my wife Joanne, who is right behind me in that modest red dress; and our son Jimmy who is a high school senior at Churchill High School in Bethesda, MD; and our daughter Judith who is a graduate of Miami of Ohio, and our son-in-law to be, Scott Andrews, who in May is going to marry our daughter Jennifer.

Thank you for the opportunity to introduce the most precious part of my life, my family.

The CHAIRMAN. And I know they have had a very significant part to play in all your success and work and this moment. So we are delighted that they are here with you. It is very appropriate that they be.

Now, if I may, let me ask you to stand and I will administer the oath that is required here.

[Witness sworn.]

The CHAIRMAN. With that, we would be very pleased to hear your opening comments.

TESTIMONY OF JACK KEMP, OF NEW YORK, NOMINEE TO BE SECRETARY OF THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Mr. KEMP. Mr. Chairman and members of the committee, I am afraid that the football metaphors are going to get overworked by the time this is over. But there is one that you used, Mr. Chairman, and I think Senator Garn as well, that is appropriate. And it is team work.

I am extremely excited about working with the team that you have assembled. I know each and every one of you personally. I have served with many of you in the House. You have said some awfully nice things about me, and I am glad my family was here to hear them. My brother Tom and his wife Betty are here behind me on my left.

So this is a very warm feeling that I have, not only about taking on this challenge, as you have pointed out, Mr. Chairman, but also an opportunity to work with you on both sides of the aisle.

I was reminded one time at a sports banquet of how hard it is sometimes to respond to such wonderful comments. I was giving a football award at a high school in Buffalo, and the young recipient of the award was just absolutely overcome with emotion after hearing so many nice things about him. And he got up at the podium and straightened his tie and got choked up, and he said:

> Ladies and gentlemen, I don't appreciate this honor, but I deserve it from the bottom of my heart. [Laughter.]

I hope I can keep my enthusiasm in check.

As I was leaving home this morning my daughter said, "Daddy, good luck at the trial." She has been watching C-Span. Of course, that is the way our family operates, Mr. Chairman, with that type of sense of humor. I can remember leaving the home one time to play a football game and my family said, "Well, we're with you, win or tie." [Laughter.]

But this challenge that we both face is something at which I think all of us have to succeed. We can't fail. There can be no excuse for failure in this area. I know how you, Don and Jake, and each and every one of you feel.

Ten years ago I wrote a book called, "An American Renaissance," renaissance of course being the French word for rebirth, a rebirth of our economy, a rebirth of our spirit, a rebirth of opportunity, a rebirth of freedom. I must admit it was sadly lacking in the area of a renaissance in our cities. It wasn't that I hadn't thought about it. It was just that it was not specifically addressed.

And it is ironic that, 10 years later, I am getting the opportunity to appear at a moment in the life of this country when we have had an American renaissance to a certain degree. We want it to continue and broaden and deepen and expand, but we have to convert that renaissance into those areas of the country that have been left behind.

I was brought up by my parents, Mr. Chairman—Senator Cranston knows that I was born in Los Angeles, my wife is from Fillmore, CA, Ventura County—and I was brought up by parents who taught us that the family all has to succeed. No one can be left behind. We can't have a country that is moving forward and leaving the cities behind. We can't move the country forward and leave the weakest elements of our society behind. And I don't think the Good Shepherd would ever let us forget the weakest element of any society.

So I look forward to trying to apply not only my enthusiasm and energy, which all of you have graciously acknowledged, but also that sensitivity, that compassion, albeit from a conservative—small "c"—standpoint it is a compassion that is as real, maybe measured sometimes by a different standard, but nonetheless a compassion that I feel in my heart for those who have been left out, left behind, and dispossessed.

I thank Al D'Amato for his opening comments because no one has championed this issue more than Al, and to have Senator Moynihan with Al and myself up here is a great honor, because he, too, has been an intellectual force in our country and in the world.

I would like to make what I hope is a brief comment. I know you have lots of questions. I must say once again how grateful I am for the friendship that has been manifested here today. I look at many of you on the Democratic side of the aisle, Mr. Chairman, and I realize I was out there campaigning against many of you, and to have a sense that that has been set aside and now we are on to bigger and more important things is gratifying.

I get a little bit of that from my football career because some of my best friends in my football career were my so-called adversaries. I don't believe in permanent enemies. So I look forward to working with the Democrats as well as my colleagues on the Republican side.

You can imagine the thrill and the honor that I got from being chosen by George Bush to be his designee for Housing and Urban Development. The housing side of it excites me, but I can't pass up the opportunity to tell you how excited I am about the economic development side of this agenda.

It is interesting that on both sides of the table and on both sides of the aisle, all of us today are talking about economic growth, jobs, and opportunity. I think that is a very, very healthy debate.

To the extent that I, at HUD, can help create a climate along with you for entrepreneurship in our inner cities and parts of the country that have been left behind is really one of the most exciting aspects of this, Mr. Chairman.

You and I talked about Flint, MI and I have talked about Buffalo, NY. I am not going to get into the cities, but each and every one of us knows that there are areas of this country that are absolutely in crying need for the type of attention alluded to by Senator Graham.

I wasn't going to bring it up, but I was in Overtown and Liberty City on Saturday before the Super Bowl. Without any press and very quietly, we went into Overtown and met with the leadership of Liberty City and Overtown. Again, without trying to embarrass anybody, at the heart of their dream is a job, good education, and affordable housing, and obviously a crime- and drug-free environment. But I could have been in Buffalo, NY or Los Angeles, CA where I grew up, or anywhere else.

So I am really thrilled that there is a universality about the issues. There is a universal sense of good will and there is a sense universally that we can do something. That we can do something. I do not take this job with the idea that poverty is so intractable and so inevitable that we just have to throw up our hands and go into a sense of frustration.

The one thing that I do bring to this job, Mr. Chairman, is a sense that it doesn't have to be that way. I love what George Bush said in his inaugural address when he said, "We know what works." We know that freedom and free markets and free enterprise will work. That isn't to say there isn't a strong role for the Government, because there is.

But I bring to this job a sense that we can enlist the private sector, the private enterprise system, and that we can work out, as Senator Cranston pointed out, some type of a public-private partnership, expand upon that, and bring in the nonprofits and the community-based organizations and that sense of good will that does exist in this country to get things done.

When I was nominated, I quoted Martin Luther King, who said he had an abiding faith in the future of America and an audacious faith in the future of mankind. Well, I think we all agree that George Bush the other day recognized an abiding faith in America, and I want you to know, Mr. Chairman, I have an audacious—other words have been chosen for me, but I prefer Dr. King's use of the word "audacious"—faith in the future. I want to be audacious. I want to try things.

I am obviously conservative and I am a Republican, but I have used the word "progressive" and I certainly use the word "pragmatic," because I do want to try things, Senator Cranston, Senator Sarbanes, that are utilitarian, that will work. And I am thrilled, again, at the comments that were made about my nomination by friends on the Democratic side of the aisle, notwithstanding the fact that I have been a longtime comrade-in-arms of my friends on the Republican side of the aisle.

First of all, I want to pledge to you, Mr. Chairman, and to you, Senator Garn, and to you, Senator Cranston, and each and every one of you, that I want to work with you. I want that bridge to be built between HUD and this committee, between HUD and the Congress, between HUD and the mayors, between HUD and the cities, between HUD and people, between HUD and poor folk in this country. I want to build that bridge, and I pledge to you that I will be here when you want me to be; that my mind is open, as well as the door and the telephone; and that I look forward to helping you, Mr. Chairman, and the committee and the Congress, working with each and every one of you, to meet the goals of the 1949 Housing Act, which is to create the conditions in America for every single family in America to have decent and affordable housing.

I also want to work with Congress on some of those——

[Demonstrators in the audience disrupt the hearing with noisemakers, banner, and shouted remarks.]

The CHAIRMAN. The committee will be in order. We are in the middle of the session and let me ask——

VOICE. People are sleeping on the streets and you are directly responsible for it.

The CHAIRMAN. The committee will be in order.

The committee will stand in recess. The committee will stand in recess until the police can restore order.

[Recess.]

The CHAIRMAN. It is the intention of this committee in the weeks ahead to be sure that all points of view are heard in an orderly fashion, and I regret the fact that we have had an interruption in the proceedings. I think it indicates that there is clearly tension that surrounds these issues and I don't think that is really the way that we can best deal with it.

In any event, I would like to ask now that you proceed and complete your statement.

Mr. KEMP. Mr. Chairman, thank you.

I wish they had stayed and heard my remarks because I was about ready to address the five major areas of concern that might have at least given them a sense of a common mission that I share with you, to get busy on these seemingly intractable problems. But, given the fact that they are no longer here, maybe we can give them the statement and they will read it in the newspapers.

But I wanted to talk first about homelessness, because I think that is high, if not highest, on the agenda of President Bush with regard to HUD, and it certainly is high on my agenda.

It is, as I think several of you have mentioned, a national tragedy of appalling proportions. Irrespective of the numbers, it is appalling that there are Americans and families on the streets today, including children, without basic shelter and human services.

As I pointed out and I think several of you have said as well, President Bush is committed to the full funding of the McKinney Act. But funding, while necessary, is not sufficient in and of itself. We need to work together to provide a complete and effective safety net consisting of both public and private efforts that will provide not only basic shelter but also help pave the way to jobs, job training, permanent housing, health care, and human dignity.

So I won't just comply, Mr. Chairman, with the McKinney Act. I will implement it with all of the vigor at my command. And I also want you to know I will do all that I can to ensure that the Federal Government surplus property is accurately identified, swiftly identified, and is available to nonprofits and community-based organizations, community groups, facilitated of course by slashing the redtape and trying to work with other agencies of the Federal Government to coordinate.

It has been mentioned by several, particularly Senator Cranston and Al D'Amato, and of course in the Rouse-Maxwell report, that homeownership and urban homesteading are high on the agenda of the National Housing Task Force. I was particularly pleased that this was alluded to by Senator Sarbanes in his comment that I suggested that as we facilitate tenant management, it be done in a way that does not deplete the stock of housing that is available to low-income folks in America.

I didn't know that she was going to be here, but if we all went out Route 295, we would find in east Washington, DC, a remarkable sight, led in large part by a very remarkable young woman who happens to be on my left, Kimi Gray of Kenilworth/Parkside. I am very proud to have been a part of a bipartisan effort to highlight her success.

Congressman Fauntroy is not here, but there are many of you who have been involved in the Kenilworth/Parkside effort. It is a public housing project that was once infested with drugs and despair and is now a model of hope and opportunity. It is no secret that I think this young lady on my left, Kimi Gray, is someone that excites the energy of the Secretary of Housing in terms of making this a model for the rest of the country. I believe that we can help empower the poor as others have mentioned, wherever possible.

I don't know how many Kimi Grays there are in this country, but I think we need to encourage future Kimi Grays and Bertha Gilkeys and Loretta Halls. They are out there, and they are remarkable people who want to change the environment in the inner city and in public housing because I think we have learned over the years that public housing residents and their children have the same hopes and dreams and aspirations as each and every American does, and I think the sense of universality of that dream has been alluded to so many times up here, but it is something that we can use to facilitate tenant management throughout the country.

I want to assure you, Senator Sarbanes, there will be no effort that would in any way deplete the public housing stock. There may be some innovative ways of making sure that there is a one-for-one replacement through rehabs, construction, or even vouchers. But I want you to know, sir, I will be working very closely with you and your committee to make sure that we keep that stock of housing available to low-income people.

Fair housing. Mr. Chairman, Congress enacted wisely, with strong support from President Bush, at that time the Vice President, a major strengthening of the fair housing laws which first passed, as you know, in 1968. If I am confirmed as Secretary of Housing and Urban Development, it will be my obligation and frankly my challenge, as well as an honor, to help implement this new fair housing law and make it work for all people.

We must not allow any individual or any family in America, irrespective of color or condition, to face the discrimination because of handicap or race or because of the size of the family in terms of children. Equality of opportunity requires freedom from discrimination. And on behalf of the President, I want you to know that I pledge a full and vigorous enforcement of this major civil rights law, and I compliment the Congress for the work that they did on it.

Enterprise zones. It is no secret, as I said earlier, how excited I am about the urban economic development side of my challenge. I think one of the most thrilling parts, if I could say to my friends on the Democratic side, one of the most exciting things that has happened to me in the 18 years that I served in the Congress was the bridge that were built across the aisle when Bobby Garcia from the South Bronx and Bill Gray from Philadelphia and Charlie Rangel from Harlem and a broad coalition of conservative Republicans and liberal Democrats and conservative Democrats and liberal—do we have any liberal Republicans? Oh, I forgot, I am a big "L" liberal—but how thrilling it was to see the people who were excited about trying something to restore entrepreneurship in our inner cities.

And I was very pleased that Senator Cranston has mentioned enterprise zones in his opening statement. We have created 19 million jobs in 8 years, but unemployment in Overtown is 30 percent. Unemployment in Liberty City is 29 percent. Unemployment in Watts, unemployment in east St. Louis, unemployment in parts of Chicago or Buffalo or Harlem or Bedford-Stuyvesant—there are so many parts of this country in which the unemployment rates are intolerable in terms not only of the economic future of this country, but also the social conditions of this country.

Bob, you mentioned earlier the Overtown experience. I can't imagine a more exciting thing to do than to say in that area that was once redlined, we are going to greenline it. We are going to get the Congress of the United States of America to say that in legislation. Kit and I were out in St. Louis and we opened a State enterprise zone, which provided just State tax initiatives.

And, Kit, I don't know how many jobs were created, but I do know that you, Governor Thompson of Illinois, Governor Kean of New Jersey, Connecticut, there are 32 States that have passed it—I think it is time that the Federal Government now say to those formerly redlined areas of the country, we are going to greenline those areas. I have got my green tie on just to show my support for the idea of greenlining the inner city, and here are areas where we are going to take dramatic and in some cases even radical steps to put incentives back into the inner city economic environment to create minority entrepreneurship and inner city entrepreneurship, which is the hallmark of how to create jobs in our inner cities.

Bobby Kennedy once said:

> To fight poverty without the power of free enterprise is to wage war with a single platoon while the great armies are left to stand aside.

Well, I agree with that. We need to enlist this great army of private enterprise and unleash it in our inner cities, and I believe that entrepreneurship is alive, if we can encourage it, Mr. Chairman. And that is what enterprise zones are all about.

Affordable housing. We need a national housing policy. I applaud the work of Mr. Cranston and Mr. D'Amato. I have met with Jim Rouse and David Maxwell. I have talked with many of you about some of the good ideas that have come out of these housing studies. I have talked to Carla Hills and Congressman Reuss. We have go to make housing more affordable for all families, particularly the poor and young families just starting out.

As I said earlier, homeownership is at the very heart of the American dream and we need to find ways to make it an option that is available to more people and to more families. George Bush in his campaign talked of ideas to reform FHA and other ideas to assist the first-time home buyer that Senator Sasser and Senator Heinz have alluded to, and I applaud the committee for the work it has done.

We need to take urgent steps, Mr. Chairman, to make sure low-income families can obtain adequate rental accommodations at affordable rates. I believe that vouchers can be central to achieving this goal. They are not the only thing that can be done. I know that people are looking at section 8 certificates and vouchers as to whether they can be reformed. I am willing, my mind is open.

But I do want to find a way to empower the poor, to give them what Bob Graham called more choice over where they live, over their own ability to make decisions as consumers in the marketplace, and I also think that leads to the type of dignity that can be fostered by individual choice.

We can also add to the stock of housing for population with special needs—the elderly and handicapped. So I know the interest of the community in that area.

I want to just say I think we have a unique opportunity to forge a new alliance, and I want you to know I am willing to transcend all of those ideological differences and look for answers to these problems.

As I said in my comments when nominated by George Bush, if there is one philosophy that will drive the Department of Housing and Urban Development under President Bush's leadership and my stewardship of HUD, it will be this:

> That we want to give people the ability to seize new jobs and new opportunities for themselves, to make decisions about their own lives, to secure a better life for themselves and their children.

And without any illusion, Mr. Chairman, about the challenge, and with the recognition that government can't solve all the problems, I want you to know I will do everything in my power to uphold what I know you share—we all do—as our American heritage; that as a nation under God, we respect the rights of all people; we show compassion to those people in need; and we advance equality of opportunity for every single human being.

In conclusion, Mr. Chairman, I do want to be that bridge between HUD and the Congress. I feel a little bit like a blank slate. Learning the language of HUD has been a whole new experience for me. It is like reading an engineering manual to go through preparations for this, but I want you to know I am going to give it every ounce of energy that I have, as well as my sincere desire to work with this committee in meeting the goals set forth not only by Senators, but also the President, George Bush.

Thank you very much.

[The complete prepared statement of Jack Kemp follows:]

TESTIMONY OF HOUSING AND URBAN DEVELOPMENT SECRETARY-DESIGNATE JACK KEMP BEFORE THE SENATE COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS - JANUARY 27, 1989

TESTIMONY OF HOUSING AND URBAN DEVELOPMENT SECRETARY-DESIGNATE JACK KEMP BEFORE THE SENATE COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS - JANUARY 27, 1989

THANK YOU, CHAIRMAN RIEGLE, SENATOR GARN, AND MEMBERS OF THE COMMITTEE. IT IS AN HONOR TO BE PRESENTED TO THIS DISTINGUISHED COMMITTEE TODAY BY MY HOME STATE SENATORS AND FRIENDS, PAT MOYNIHAN AND AL D'AMATO. SENATOR MOYNIHAN HAS MADE SUCH AN INTELLECTUAL CONTRIBUTION TO OUR STATE AND NATION THROUGH THE FORCE OF HIS IDEAS AND HIS POWER OF PERSUASION, AND MY FRIEND AL D'AMATO HAS BEEN A TENACIOUS CHAMPION FOR OUR STATE AND THE NATION, ESPECIALLY FOR THOSE WHO ARE FAR TOO OFTEN FORGOTTEN OR LEFT BEHIND.

ATER 18 YEARS IN THE CONGRESS, I WAS BOTH THRILLED AND HONORED BY PRESIDENT BUSH'S SELECTION OF ME AS HIS SECRETARY OF HOUSING AND URBAN DEVELOPMENT, AND IF CONFIRMED I WOULD BE BOTH THANKFUL AND EXCITED BY THE OPPORTUNITY TO SERVE IN HIS CABINET AT THIS MOMENTOUS TIME IN HISTORY.

WHEN PRESIDENT BUSH DESIGNATED ME AS HIS CHOICE FOR SECRETARY OF HOUSING AND URBAN DEVELOPMENT, I USED THE WORDS OF DR. MARTIN LUTHER KING JR. TO DESCRIBE THE CHALLENGES AHEAD. UPON RECEIVING THE NOBEL PRIZE 25 YEARS AGO, DR. KING SAID HE ACCEPTED IT "WITH AN ABIDING FAITH IN AMERICA AND AN AUDACIOUS FAITH IN THE FUTURE OF MANKIND."

I THINK WE ALL AGREE, DEMOCRAT AND REPUBLICAN ALIKE, THAT GEORGE BUSH IS A MAN OF ABIDING FAITH IN AMERICA. I WANT THE MEMBERS OF THIS COMMITTEE TO KNOW THAT I SHARE DR. KING'S AUDACIOUS FAITH IN THE FUTURE AND THAT WE CAN HELP RECAPTURE THE AMERICAN DREAM FOR OUR DISTRESSED INNER CITIES AND THOSE WHO LIVE IN POVERTY AND DESPAIR.

I WANT TO PLEDGE TO THIS SENATE COMMITTEE TO WORK WITH YOU AND THE CONGRESS TO HELP MEET THE GOALS OF THE 1949 HOUSING ACT, WHICH IS TO CREATE THE CONDITIONS IN AMERICA FOR EVERY FAMILY TO HAVE DECENT AND AFFORDABLE HOUSING. I ALSO WANT TO WORK WITH CONGRESS ON SOME BASIC REFORMS THAT CAN IN THE SPIRIT OF BIPARTISANSHIP AND THE AMERICAN SPIRIT WAGE A SUCCESSFUL WAR ON POVERTY.

HOMELESSNESS: IT IS A NATIONAL TRAGEDY OF APPALLING PROPORTIONS THAT THERE ARE AMERICANS WITHOUT BASIC SHELTER AND HUMAN SERVICES. PRESIDENT BUSH IS COMMITTED TO FULL FUNDING OF THE MCKINNEY ACT. BUT FUNDING, WHILE NECESSARY, IS NOT SUFFICIENT. WE NEED TO WORK TOGETHER TO PROVIDE A COMPLETE AND EFFECTIVE SAFETY NET CONSISTING OF BOTH PUBLIC/PRIVATE EFFORTS THAT WILL PROVIDE NOT ONLY BASIC SHELTER, BUT ALSO HELP PAVE THE WAY TO JOBS, PERMANENT HOUSING, HEALTH CARE AND HUMAN DIGNITY. AS SECRETARY OF HUD, I WON'T JUST "COMPLY" WITH THE MCKINNEY ACT, I

WILL IMPLEMENT IT WITH VIGOR. I WILL DO ALL I CAN TO ENSURE THAT THE FEDERAL GOVERNMENT'S SURPLUS PROPERTY IS ACCURATELY IDENTIFIED AND ITS AVAILABILITY TO NON-PROFITS AND COMMUNITY GROUPS IS FACILITATED BY SLASHING RED TAPE.

HOMEOWNERSHIP AND URBAN HOMESTEADING: IF MEMBERS OF THE COMMITTEE WOULD TAKE A SHORT TRIP OUT ROUTE 295, THEY WOULD FIND AT KENILWORTH/PARKSIDE A REMARKABLE SIGHT. THIS PUBLIC HOUSING PROJECT, WHICH ONCE WAS INFESTED WITH DRUGS AND DESPAIR, IS NOW A MODEL OF HOPE AND OPPORTUNITY. UNDER THE LEADERSHIP OF AN INSPIRING YOUNG WOMAN, KIMI GRAY, KENILWORTH/PARKSIDE'S RESIDENTS HAVE PUT DOWN STAKES IN THE COMMUNITY THROUGH RESIDENT MANAGEMENT AND OWNERSHIP. WE NEED TO HELP EMPOWER THE POOR BY ENCOURAGING HOMEOWNERSHIP AND RESIDENT MANAGEMENT WHEREVER POSSIBLE. NOT EVERY PUBLIC HOUSING PROJECT HAS A KIMI GRAY--BUT EVERY RESIDENT OF PUBLIC HOUSING HAS THE SAME HOPES AND DREAMS FOR THE FUTURE AND THEIR CHILDREN'S FUTURES THAT YOU AND I HAVE FOR OURS. I HOPE TO WORK WITH THE COMMITTEE TO HELP FACILITATE TENANT MANAGEMENT AND HOMEOWNERSHIP AROUND THE NATION IN EVERY WAY POSSIBLE WITHOUT DEPLETING THE STOCK OF HOUSING AVAILABLE TO LOW-INCOME PEOPLE.

FAIR HOUSING: CONGRESS ENACTED, WITH STRONG SUPPORT FROM GEORGE BUSH A MAJOR STRENGTHENING OF THE FAIR HOUSING LAWS WHICH FIRST PASSED IN 1968. IT WILL BE MY PRIVILEGE AND OBLIGATION IF

CONFIRMED AS SECRETARY OF HOUSING AND URBAN DEVELOPMENT, TO HELP IMPLEMENT THIS NEW LAW AND TO MAKE IT WORK. WE MUST NOT ALLOW ANY INDIVIDUAL OR FAMILY TO FACE DISCRIMINATION BECAUSE OF RACE OR HANDICAP. EQUALITY OF OPPORTUNITY REQUIRES FREEDOM FROM DISCRIMINATION, AND ON BEHALF OF PRESIDENT BUSH I PLEDGE A FULL AND VIGOROUS ENFORCEMENT OF THIS MAJOR CIVIL RIGHTS LAW.

ENTERPRISE ZONES: IT IS NO SECRET TO THE MEMBERS OF THE COMMITTEE THAT I AM VERY INTERESTED IN THE URBAN DEVELOPMENT SIDE OF HUD AND THAT I HAVE LONG ADVOCATED LEGISLATION TO REMOVE THE BARRIERS THAT DISCOURAGE INVESTMENT AND ENTREPRENEURSHIP IN OUR DISTRESSED INNER CITIES, AND I PLEDGE TO GREENLINE THE INNER CITIES AND NOT ALLOW REDLINING. WE NEED INCENTIVES THAT WILL ENCOURAGE JOB CREATION AND ENTREPRENEURIAL ACTIVITY IN OUR BLIGHTED URBAN AND RURAL AREAS. WE'VE CREATED A STUNNING NATIONAL RECOVERY IN THIS NATION, WITH 19 MILLION NEW JOBS. BUT THERE IS A FORGOTTEN FRONTIER IN OUR MIDST--GHETTOS AND BARRIOS THAT STILL EXPERIENCE UNCONSCIONABLE LEVELS OF POVERTY, UNEMPLOYMENT, AND DESPAIR. BOBBY KENNEDY ONCE SAID "TO FIGHT POVERTY WITHOUT THE POWER OF FREE ENTERPRISE IS TO WAGE WAR WITH A SINGLE PLATOON, WHILE GREAT ARMIES ARE LEFT TO STAND ASIDE." WE NEED TO UNLEASH THE POWER OF FREE ENTERPRISE IN OUR INNER CITIES.

AFFORDABLE HOUSING: WE NEED A NATIONAL HOUSING POLICY TO HELP MAKE HOUSING MORE AFFORDABLE FOR ALL FAMILIES, PARTICULARLY THE POOR AND YOUNG FAMILIES JUST STARTING OUT. AS I SAID EARLIER, HOMEOWNERSHIP IS AT THE VERY HEART OF THE AMERICAN DREAM, AND WE NEED TO FIND WAYS TO MAKE IT AN OPTION THAT IS AVAILABLE TO MORE FAMILIES. DURING HIS CAMPAIGN, GEORGE BUSH TALKED OF IDEAS TO REFORM FHA AND OTHER IDEAS TO ASSIST FIRST-TIME HOMEBUYERS. I KNOW THAT THE MEMBERS OF THE COMMITTEE, INCLUDING SENATOR CRANSTON AND SENATOR D'AMATO HAVE DONE GROUNDBREAKING WORK IN THESE AREAS.

IN ADDITION, WE MUST TAKE URGENT STEPS TO MAKE SURE LOW-INCOME FAMILIES CAN OBTAIN ADEQUATE RENTAL ACCOMMODATIONS AT AFFORDABLE RATES. VOUCHERS CAN BE CENTRAL TO ACHIEVING THIS GOAL, BECAUSE THEY ENABLE MORE FAMILIES TO BE HOUSED FOR THE SAME LEVEL OF SPENDING, AND BECAUSE THEY GIVE LOW-INCOME FAMILIES THE POWER AND DIGNITY TO DECIDE WHERE THEY WISH TO LIVE. WE CAN ALSO ADD TO THE STOCK FOR POPULATIONS WITH SPECIAL NEEDS LIKE THE ELDERLY AND HANDICAPPED. I KNOW THE COMMITTEE IS ANXIOUS TO GET TO WORK ON THESE IDEAS, AND SO AM I.

MEMBERS OF THE COMMITTEE, WE HAVE A UNIQUE OPPORTUNITY RIGHT NOW TO FORGE NEW ALLIANCES THAT TRANSCEND COLOR, ECONOMIC STATUS AND EVEN IDEOLOGY. IT ISN'T NECESSARY TO AGREE ON EVERYTHING, BUT IT WILL BE NECESSARY TO SEEK CONSENSUS ON A PUBLIC/PRIVATE

ENTERPRISE PARTNERSHIPS TO WAGE WAR ON POVERTY. I WANT TO SPEND SOME TIME EARLY IN MY TENURE AS SECRETARY VISITING SOME OF OUR CITIES AND STUDYING THE PROBLEMS, BUT ALSO TO INVENTORY SOME OF THE SUCCESS STORIES. I WANT TO SEE THE SUCCESS MODELS IN CITIES ACROSS THE COUNTRY. WE SPEND FAR TOO MUCH TIME LOOKING BACK AT OUR FAILURES--AND THERE HAVE BEEN FAR TOO MANY. I WANT TO SPEND SOME TIME LOOKING AT SUCCESS, AND FINDING WAYS TO BROADEN IT AND DEEPEN IT FOR ALL PEOPLE.

AS I SAID IN MY COMMENTS WHEN NOMINATED BY GEORGE BUSH, IF THERE IS ONE PHILOSOPHY THAT WILL DRIVE THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT UNDER PRESIDENT BUSH'S LEADERSHIP AND MY STEWARDSHIP, IT WILL BE THIS: WE WANT TO GIVE PEOPLE THE ABILITY TO SEIZE NEW JOBS AND OPPORTUNITIES FOR THEMSELVES, TO MAKE DECISIONS ABOUT THEIR OWN LIVES AND TO SECURE A BETTER LIFE FOR THEIR CHILDREN. WITHOUT ILLUSION ABOUT THE CHALLENGES FACING US, AND WITH THE RECOGNITION THAT GOVERNMENT CAN'T SOLVE ALL PROBLEMS, I WILL DO EVERYTHING IN MY POWER TO UPHOLD OUR AMERICAN HERITAGE AS ONE NATION UNDER GOD, THAT RESPECTS THE RIGHTS OF OTHERS, SHOWS COMPASSION FOR THOSE IN NEED, AND ADVANCES EQUALITY OF OPPORTUNITY FOR ALL.

IN CONCLUSION MR. CHAIRMAN, I WANT TO BE A BRIDGE BETWEEN HUD AND THIS COMMITTEE, AND BETWEEN THE FEDERAL GOVERNMENT AND THOSE PEOPLE WHO WANT A BETTER LIFE AND A BETTER AMERICA FOR THEIR CHILDREN.

The CHAIRMAN. Thank you.

That is a very strong and forceful and clear statement, and I think one that this committee is very pleased to hear. I know I am.

I want to try to touch on two things. We are going to go in roughly 5-minute segments so that everyone can participate and we can go back and forth. And I want to try to cover two things. So I will ask you to be as to the point and as brief as you can. I will try to be on the question, you on the answer.

Over the last 8 years we have had this enormous cut in the budget areas within the Department of Housing and Urban Development. The Assisted Housing program has been cut by 81 percent over that period of time.

You have had a chance to see the Reagan budget as it was submitted. Can you get the job done with the amount of money that is in there, or do you think we are going to have to try to increase what the outgoing Reagan administration was suggesting as the budget amount for the Department of Housing and Urban Development, especially in housing?

Mr. KEMP. It is pretty obvious that President Bush is going to deliver on February 9 his recommendations. I would be a little preemptive if I started to do it today, but I will say this to you. I think there is going to be some reordering of priorities within the HUD budget to accomplish, hopefully, some of these things.

It is no secret that BA has gone down considerably. Outlays and attempts through vouchers to help more people have risen. The McKinney Act has been a high priority of the Congress as well as the President, and it is certainly going to be my responsibility to get as much funding for McKinney, full funding for McKinney—in fact, in some areas I would even like to expand. But we will have to leave that for the February 9 initiative of the President.

I think, Mr. Chairman, without taking this any further, there is going to be some give and take on your side as well as on mine, and I want you to know that I am willing, where necessary, to fight for the full funding or to fight for increased funding or to fight for reordering of priorities. And I would like to leave it at that at this point, and then trust in the good will that has been developed here and engendered here by, in large part, your hospitality, that we can come up with a really good and positive and progressive program for a national housing policy in 1989–90.

The CHAIRMAN. I take that to mean that as you get deep into the meaning and the impact of the budget recommendations and the numbers, if you find that they are not sufficient in your view to make the kind of start that you feel that we need to make, you will fight aggressively for increases if you think they are required.

Mr. KEMP. Absolutely.

The CHAIRMAN. Now, on homelessness. In this city, we heat a lot of the public buildings from central power plants. We have these hot-air pipes that run under the city of Washington, so we have a lot of hot-air grates up on the sidewalks, as you know.

Mr. KEMP. None in this room, of course.

The CHAIRMAN. No, no. Ours is above the surface here.

We have people standing in line in Washington today, homeless people, to get on the air grates on the coldest nights of the year. I mean there are literally not enough hot-air grates to go around.

You have seen it and so have I. And the population of homeless people is rising. It is not just individuals who have lost their way in life. It is families, increasingly children as well.

When we see right here in our own capital city, out on the streets of this city each night, hundreds and hundreds and hundreds of homeless people sleeping on hot-air grates just to try to keep from freezing to death on the coldest nights, it obviously says that something is really out of kilter. That was not the case even a handful of years ago. It is a growing problem.

I want to ask you two things. I want to ask you your current sense as to the scale and scope of the homeless problem. How tightly have you been able to get a grip on just the size of the problem, the degree to which it is growing, and what we can do about it, and what we can do about it quickly rather than at some distant time.

Mr. **Kemp**. I would hesitate to try to get into numbers because I think that there is a broad not only debate, but disparity in the numbers. I think it is less important as to how many actual people there are than the fact that it is happening and, as you say, growing in certain parts of the country.

So I acknowledge that it is a very severe problem. It is an appalling problem, and it is certainly a tragedy. It is far too big—and if one person were without shelter, in my view it would be too big. I would like, very early on if I am confirmed, in my stewardship as the Secretary of HUD, to take Bob Hayes of the National Coalition on the Homeless up on his invitation to me to travel through some of the homeless shelters of the country.

I visited with the Washington, DC Council on Homelessness, I think is the name of it. If I lose some of the names of the programs or people, I hope you will forgive me, Mr. Chairman, because I am unfamiliar, but I am getting familiar with it. But I met with Ollie Carr and the D.C. Homeless Council. We met just yesterday and have met previously.

I spent some time, my wife and I, right before Christmas at a shelter called Carpenter's Shelter over in Alexandria where Erna Steinbruck is doing such magnificent work with a consortium of churches. The warehouse for the shelter was donated by Oliver Carr.

I think there are enormous numbers of people that want to help. I hope HUD can immediately move to act as a catalyst to get the public involved, but also to encourage public-private partnership alluded to earlier by Senator Cranston, and try to energize some of the good will that exists among people that would like to help and feel frustrated that there is no central clearinghouse and no one acting as a national catalyst to get more done in this area.

The Federal Government has to help. That is why we are going to fully fund the McKinney. We need funding for those emergency shelter grants. We need to provide services. We have got to provide job training. And certainly there has got to be humane treatment of those who are in need of the type of care that you and I know can only come from certain segments of our society.

So I think it is a problem. It is a vast problem. It is an emergency problem. And I am willing to treat it as the highest priority immediately of my new leadership at HUD if I am fortunate enough to be confirmed by this committee.

The CHAIRMAN. Thank you.

Senator D'Amato.

Senator D'AMATO. Thank you, Mr. Chairman.

I am wondering, Jack, if you might comment on what you see the effect of long-term interest rates on the housing markets of America.

Mr. KEMP. Well, Senator D'Amato, I think both you and Senator Gramm talked earlier about the private sector's contribution to housing. There is no secret that housing starts rise and fall with long-term interest rates and mortgage rates.

I was glad Senator Sasser talked about what role the Federal Reserve Board plays. I've got to be pretty careful here because I am getting a little bit beyond my own portfolio at HUD, talking about the central bank of the United States.

But there is no doubt in my mind that as interest rates and short-term markets were pushed up in the last 4 to 5 months, housing starts dropped to about 1.4, 1.5 million starts. I would like to see the United States of America at least commit itself, as a goal, to 2 million housing starts per year in the private sector for the next at least 5 years, well into the decade of the 1990's.

Now, that is a pretty darn good year, home builders would tell us, but it seems to me that with progress on interest rates, it not only has a benign impact on the deficit and certainly a benign impact upon energy and real estate, it would have a positive and very progressive impact upon the ability of the private sector to boost home starts, housing starts, up to 1.8, 1.9, in the 2 million range.

I am trying to give you a sense of how I feel about it, and my hope is that we can get housing starts way above the figure it is today.

Senator D'AMATO. Let me just touch on two other areas. There has been controversy, as you are aware, to the question of the user tax issue. Have you had an opportunity to look at that?

Mr. KEMP. A user tax is a tax, is a tax, is a tax, is a tax, is a duck, or however you want to—as far as I am concerned, I opposed it when I was in the Congress. I think the Congress, if I am not correct, put a moratorium——

Senator D'AMATO. That is correct. This committee has been quite active as it relates——

Mr. KEMP. I am going to be very sympathetic——

Senator D'AMATO [continuing]. To being in opposition to attempting to place, whether you call it a user fee or a tax as it relates to those homeowners' activities.

Mr. KEMP. Yes. I share your antipathy for that idea.

Senator D'AMATO. And just to conclude—I was delighted to hear that you have touched on the area of fair housing. I am wondering if you care to share with us what you intend to do in that area, how you intend to carry that out and——

Mr. KEMP. I'm sorry. I was looking down at my notes when you were asking me the question.

Senator D'AMATO. We recently witnessed a historic effort by the administration and the civil rights community and the housing and real estate industry to pass the 1988 Fair Housing Act Amendment. I was tremendously delighted and pleased to hear your very strong support. One of your five points was that this is going to be a major undertaking in your area, in your administration. So I want to commend you on that.

Mr. KEMP. Thank you.

There is an assistant secretary at HUD who has as his or her responsibility to work in this area to fully and vigorously enforce the fair housing law of this country.

So that was a pledge. It is something I know you are interested in, Senator D'Amato, and I know the chairman is, and each and every one of us, so I am going to be vigorous in my pursuit of justice for all people.

Senator D'AMATO. Thank you for your candor.

Mr. KEMP. Thank you.

Senator D'AMATO. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Cranston.

Senator CRANSTON. I have sat through many, many confirmation hearings in the time that I have been in the Senate, and I want to say, Jack, that your opening statement was the finest I have heard because it came from your head and your heart, and not from a coldly prepared text put together ahead of time.

Mr. KEMP. Thank you, sir.

Senator CRANSTON. I am glad you are wearing a green tie because greenlining is a very important matter. As I take it, what you mean by greenlining is careful targeting.

I know the budget is going to be our toughest obstacle. The Reagan administration regularly boasted that the number of households receiving Federal housing assistance rose from 3.1 million when they came into office to 4.2 million when they left. They claim that the 81 percent real dollar reduction in the budget for low-income housing programs in that period showed a more efficient use of funds to help more people.

That claim was really very misleading because housing assistance is provided in multiyear contracts. It would have been legally impossible for fewer families to have been assisted. And most of the increase in the number of families served occurred in the first 3 years of the Reagan era when housing initiated under Presidents Ford and Carter were still coming on stream.

Because of timing delays, the consequences of the deep Reagan cuts will be felt most severely starting in another year or so. We will need funding adequate to keep from losing ground in low-income housing assistance and to make progress on the growing unmet housing need.

So I would like to ask this. You have already said in response to Chairman Riegle that you will be a strong advocate for more housing resources. What do you see as the dimensions of the upcoming budget problem?

Mr. KEMP. Well, the obvious dimension or parameter for the debate, Senator Cranston, is of course Gramm-Rudman-Hollings and the desire on both sides of Pennsylvania Ave. to meet those targets without going through some type of a sequestration that would just lop off a percentage of the budget in every single agency without regard, in just a capricious fashion.

So I think it is to our benefit to make sure that we meet our targets without going through that rather draconian process, and I know you would share that as well.

Senator CRANSTON. I am really asking what you see as the dimensions of the problem within the housing budget.

Mr. KEMP. All right. I was speaking generically about the whole budget and the housing budget within the overall budget.

Again, I look forward to meeting with the OMB Director as soon as I can next week. I told Chairman Riegle, that I wanted to be an advocate for the things that I had talked about and some of the things you and I had shared in private and, I am very happy to say, publicly I think this country must commit some resources to things that will expand the stock, that can rehab the existing stock, that can make sure that we address in the next 2, or 3, or 4 years the problems that are going to come in front of this country that will challenge us as never before.

Now, let me say, with my mind open, Senator, at this point, we are going to have to look at the tax code. I know there is some interest in this committee with the LITC, the Low Income Tax Credit, as to whether or not it is working perfectly. I think it can work better.

I think Senator Mitchell and Senator Danforth have a task force on that issue. I know you and I have discussed the LITC. I think we have got to look at what type of proposals can be made to use available resources to maximize the leverage that the Federal Government can use to bring the private sector into this.

And I don't want to sit here and commit myself to a figure because that has not yet been part of the process in which I have been engaged. But I will do it openly and I will be here on Capitol Hill, and I look forward to the input of this committee, but I don't want to just sit here and commit myself to a figure and then look foolish after I talk to Darman or talk to my colleagues on both sides of the aisle.

Senator CRANSTON. No. Of course, I wouldn't expect you to at this point.

Mr. KEMP. But I will advocate it with all of my energy.

Senator CRANSTON. Good.

I am glad you mentioned rehabilitation in your response. One looming problem is the impending loss of hundreds of thousands of units of assisted housing. The past administration tried to find ways to ensure that the problem didn't explode on their watch, and so the fact is it is going to explode on your watch.

Mr. KEMP. Mine. Right.

Senator CRANSTON. In the next decade, the Nation stands to lose several hundred thousand subsidized housing units through mortgage prepayments. Various reports have recommended that the problem be resolved on a project-by-project basis through the provision of incentives either to owners to retain this housing for low-income use, or to nonprofit sponsors to purchase the housing.

In fact, the Housing and Community Development Act of 1987 contains interim provisions that take that approach. Despite the general consensus on this issue, the Reagan administration consistently recommended that the problem would be solved by simply giving vouchers to displaced tenants, an inadequate response since vouchers do not work in the tight markets in which prepayments are likely to occur.

So I have three questions really on this issue. First, what priority do you attach to the prepayment problem? Second, how do you view the recommendations of various task forces and commissions and the provisions of the 1987 act? And, third, how will the Bush administration move beyond the proposals of the Reagan years?

Mr. Kemp. Well, the dimensions of the problem perhaps have not been totally explained to me, as I am sure they will be, but nonetheless I am smart enough to realize that this is going to be occurring on my watch, as you pointed out a little bit earlier. And it is a big problem, and I hope I have given the committee the impression, Senator Cranston, that I consider it absolutely essential to make sure that we do nothing in any way that shrinks the size of available public housing for poor folks, for low- and moderate-income.

So, having said that as a generic, let me go on to say that I think we have got to go beyond vouchers. I don't want to diminish my enthusiasm for what I perceive to be the choice and the sense of empowerment of people as consumers in the marketplace that the voucher program brings.

Is it perfect? No. And can there be some marriage of the section 8 certificate with vouchers, as I think some people are interested in? I want to look at that, and I would be glad to obviously work with this committee in fashioning a reform.

But I like the idea that you mentioned about maybe selling to some nonprofits. Now, that would include, however, the fact that we would have to take some steps to make sure that you rehab and that you also might have to construct, whether it is Federal—or perhaps the Federal Government has to get that partnership with the States more involved.

So that I think the Cranston-D'Amato bill talks about the Federal Government encouraging States and localities to get involved in a more regional approach to the housing needs, which is where the service can best be rendered.

Now, if it is the HOP program, maybe it can be used in a micro sense to get us over that problem. I would like to look at that. I would also like to look at the tax system to reincentivize those developers to stay in low- and moderate-income housing.

Maybe we are going to have to look at—I get a little bit trepidatious when I start talking about tax policy because obviously I am getting close to trespassing on someone else's portfolio, particularly at Treasury and OMB. But I would be willing at least to look at the possibility of using the tax code as an incentive, reincentivizing if you will, to make sure that the developers keep an adequate share of the stock for low-income people.

I have an awful lot to learn in this area, Senator. I am willing to learn, keep my mind open, and not approach it in a doctrinaire sense, but I did want to give you at least a philosophic approach that I do think we need to go beyond vouchers, but I don't want to throw the baby out with the bath wash.

Senator Cranston. That is fine. Thank you. We all have a lot to learn about how to deal with this problem.

The Chairman. Senator Mack.

Senator Mack. Thank you, Mr. Chairman.

Jack, there are so many different questions that come to mind. We have talked in the past about monetary policy and fiscal policy, and we really I think need to address questions with respect to interest rates.

It is interesting that with the savings and loan crisis that is taking place today, the whole question of whether there really needs to be specialized institutions to provide the funds necessary for mortgages and for construction lending, whether we need to continue along that path—the ideas of privatization of public housing and enterprise zones and tenant management.

But, frankly, the thought that really comes to my mind, and I would like just kind of a general reaction from you, I was down in Miami when the most problem of immigration with the Nicaraguans coming into the Miami area, the problems as you mentioned earlier in Liberty City and Overtown, it says to me that we really do need a policy, an idea, a direction that pays attention to the total scope of the problem that we are seeing in our urban centers.

In other words, I can get excited about talking about enterprise zones with respect to Liberty City or Overtown, or I can get excited about the concept of tenant management. I can get excited about the privatization concept of public housing.

But it seems to me that we need to come up with an idea that encompasses those and other ideas. And I would be interested in your reaction as to pursuing those thoughts and those ideas with respect to, in the State of Florida, of great concern to me, what is happening in Miami.

Mr. **Kemp**. Senator, I believe that if we were to say as a Government of the United States at the Federal level, that we were going to take those areas of the country, like Overtown and Liberty City, or Senator Cranston and I have talked about Watts—I grew up in Los Angeles and drove a truck for my daddy in downtown Los Angeles, and know quite well what it is like on Central Ave. between, say, 15th St. and 150th and Central Ave.

We know the areas of the country generally that heretofore have been redlined. And I don't think those folks expect us to cure all of the problems, but I do believe with all my heart they want us to address those very special human social and economic needs in those areas in a way that says that we believe that people have potential, we believe that those children and families want the same things for their future that we do, and that is why I think that we could use this greenlining concept in some of our inner cities to say here is a special need and we are going to address it with something that we think will work, to put small business men and women back into the job of creating opportunities.

Magnet schools have been very effective in some of our inner cities. Bill Bennett is going to have a big job as drug czar. Housing, jobs, and education and an answer to this scourge of drugs seems to me to be a tremendous responsibility not only of mine, but of Bill Bennett, Secretary Sullivan, of yours, Connie, and everybody else. And, conversely, it just transcends all of those ideological and geographical differences that otherwise exist.

But I do think we ought to start, and if we wait for the perfect approach, we are not going to make a dent in this problem. So I want to move rapidly in this area. As you know, there are 100 enterprise zones, but with no incentives. I think the first thing we have got to do is pass a bill that is going to, whether it is perfect or not, say that any small business man or woman of any color, any background, who puts a business in downtown Liberty City or downtown Watts on Central Ave., and hires one person off the welfare rolls or 100 people off the welfare rolls, qualifies for no capital gains tax on the investment in that area; that the person who invests in the debenture of the equity of that minority business can write off their investment in the year in which they make the investment. That was Charlie Rangel's idea, and a very good one.

The woman who takes a job qualifies for a tax credit against her wages, so that when she moves from welfare to the job, her income doesn't go down; as of right now, if a woman on welfare in downtown Miami or downtown Los Angeles or Buffalo takes a job, in many cases the government takes away the welfare and taxes her income, she could very well lose income by going to work, up to about 160 percent of the poverty level. That is a criminal disincentive today to what we need to turn around in the lives of those people.

So I think we have got to make a start and there are many different things that can be done, but jobs and housing and opportunity are at the heart of giving people some sense of light at the end of the tunnel.

Senator MACK. Let me quickly go from the very general to the more specific question. We have seen over the years—I was in the banking business as the deregulation of interest rates in essence took place, and we moved from a situation where we, through the control of those interest rates, made a statement in this country about the importance of housing.

Do you believe that that change in the approach had an impact on the availability of housing?

Mr. KEMP. The deregulation?

Senator MACK. Yes; by, in essence, allowing interest rates in our savings institutions to increase above a fixed——

Mr. KEMP. I don't know that I could give you the best answer on that microeconomic subject. I do know that interest rates are still high. They are still, in my view, too high and they affect commodity-based industries and real estate and home building very, very heavily.

When my wife and I bought our first home in Los Angeles or, I should say, Costa Mesa, CA, in 1959, our mortgage was 5¾ percent. We put $1,000 down and bought a $15,000 home at 5¾ percent. And my son, who is buying his first home, I think is in the 11 percent range or 10¾ percent range. What are we doing to the—I think it has been expressed so many times—what do we do for those first-time home buyers—and he is making a lot of money playing pro football, but there are just a lot of young people getting a start in life who cannot afford to buy a house at 10, 11 and 12 percent mortgage rates.

I was glad to see President Bush—they are going to say here goes Kemp again—but I was glad to see President Bush say to the Chairman of the Federal Reserve Board the other day that he does not want the Chairman of the Federal Reserve Board to micromanage the economy in such a way as to keep it performing at less than its optimum. That was particularly pleasing to Jack Kemp, because I think it has been a long time since we had a President who is willing to take on the Chairman of the Federal Reserve Board.

Senator MACK. Thank you, Jack.

The CHAIRMAN. Thank you.

Senator BRYAN. Thank you very much, Mr. Chairman.

Congressman Kemp, I would like to talk a little bit about that first-time home buyer. A lot of us who share a State perspective understand at the State level how very important that Mortgage Revenue Bond program is.

As you will recall, it was scheduled to terminate at the end of last year and the Congress, I think very wisely, decided to extend it. But it is scheduled to sunset this year if no action is taken.

The collision path that that puts you and others who support this program, as do I, is with the Treasury who always claims that by supporting such a program we provide a massive loophole in the tax code and the Treasury loses hundreds of millions, if not billions of dollars in revenue.

My question to you is, are you prepared within the inner circles of the administration not only to be a supporter of this program, but to be an advocate and a forceful one, as you have indicated how forceful you could be today?

Mr. KEMP. Well, I am going to argue, Senator, that there is a role for mortgage revenue bonds. I don't want to predict the outcome of that because you and this committee will have a large say in that debate.

But I am going to argue—there are counterarguments that could be made and one of them, as you suggest, is the cost. But, very frankly, I think in limited ways, mortgage revenue bonds do have a positive role to play, and maybe we are going to, as we did—didn't we a couple years ago put another limitation on the use of mortgage revenue bonds—and maybe it can be refined even further.

But I am going to advocate, as forcefully as I advocate all of the things that I champion, the idea of a limited yet positive role for the mortgage revenue bond approach. I don't think there would be much housing in parts of South Dakota had it not been for mortgage revenue bonds, and I would be surprised if in Nevada there hadn't been some useful activity.

But let me at least suspend my answer any longer because there is going to be——

Senator BRYAN. I understand.

All I am asking if you are going to be an advocate, and you have satisfied me that you intend to be so, and I understand that there are others——

Mr. KEMP. I think they have a targeted and limited, yet useful appeal.

Senator BRYAN. Let me ask you about another program that those of us who have worked at the State level have found particularly helpful, and that is the Community Development Block Grant program. You and I talked a little bit about that yesterday, and I am wondering what your position might be in terms of its continuance.

Mr. KEMP. I must admit I looked at the budget about 2 weeks ago and I haven't had a chance to—it is in the $3 billion range for CDBG.

I must say as a Buffalo congressman, along with Henry Nowak and John LaFalce over the years, I have seen CDBG be used for some very positive things. I have got to be careful now before I spend all of the money that I have been given, but I do believe that there is a strong role for CDBG. It has been cut back in real terms. I guess you might——

Senator BRYAN. But you support in principle. That is the point.

Mr. KEMP. I do. I do.

But I will tell you what. It ought to be used to help the poor and low-income folks. What I don't want to see is CDBG being used for things that go outside the framework of that necessity.

And I really think if we have got limited resources, Senator, it is to the advantage of us at the Federal level to make sure that we target those programs to the needy and not them be used for swimming pools or—excuse me, nothing against swimming—but I don't think that should be the role.

And it may be that even CDBG can play a useful role in some of tenant management goals, but I want to leave that for a discussion with the Congress when I am more into this, into my job, than just the designee that I am today.

Senator BRYAN. Finally, let me extend an invitation, to use your language, to trespass.

Senator Dodd mentioned during the course of his comment that often times we act at cross-purposes, establishing for one agency or department of government a policy, and then our tax code which is enacted undermines that policy, and you and I had a little exchange yesterday on that.

I am wondering what changes, if any, you would recommend. I understand that the policymaking level in the executive branch is with the President, but in terms of what counsel or advice you would give to the President and to OMB and others with whom you would have to communicate on such an issue, what changes would you recommend in terms of our Federal tax code that you think would help us?

That's a time out, is it?

Mr. KEMP. No; that was just kind of throwing my hands up. I think they are all sitting down there watching Kemp on C-Span, wondering which agency of the Federal Government or which Cabinet job I am going to walk over next. [Laughter.]

I want to be in this area—I have talked about the Federal Reserve and tax policy. The only thing we haven't gotten into today is trade policy and that will come up soon.

But let me just philosophically say I think it is—Kemp has always been known as someone who wanted to bring tax rates down, and I am very proud of the role that I played, along with a lot of people on your side of the aisle—Bradley and Gephardt—and folks on my side of the aisle, and of course Jim Baker who was former Secretary of the Treasury.

Now, having said that, my idea of tax reform was always to get the rates as low as you possibly politically, humanly could, without shrinking the tax base. I want the tax base to grow. So the point of equilibrium, of course, is subject to vigorous national debate.

I feel philosophically that the tax code can play a useful role in developing social policy. I am not approaching the tax code from a laissez-faire standpoint. I think it can be useful in generating homeownership. It can be useful in helping the poor. It can be useful in targeting towards entrepreneurship in some of those distressed parts of the inner city, and it can be useful in developing low-income housing.

And there is an area where Senators Danforth, Mitchell, Cranston, Sarbanes, and so many Members of both sides of the aisle would like to see whether that LITC, that Low Income Tax Credit, could be broadened or deepened or reformed.

I will be an advocate of using tax policy, but to tell you today what I think should be done, other than what I have already said, would be going beyond my appointed task today.

Thank you for your hospitality.

Senator BRYAN. Thank you very much, Congressman

The CHAIRMAN. Senator Bond.

Senator BOND. Thank you, Mr. Chairman.

Jack, I would join with my former gubernatorial colleague, Senator Bryan, in urging you to be an advocate for mortgage revenue bonds. And before you make the mistake of thinking that they have been appropriately limited, let us assure you that the Federal limitations have been extremely awkward, wasteful, and harsh letter to follow. We will be happy to discuss the problems that the Federal Government has caused the States.

To answer a question you asked or you referred to in your testimony about enterprise zones, as you will recall I recommended and, with the leadership of Democrats in the Missouri General Assembly, we put into effect a good enterprise zone law in Missouri in 1983.

Since that time, Missouri has created 33 enterprise zones. They require local initiatives and local tax breaks, so the local governments, communities, have to put up something to get the State breaks as well. But they have generated $200 million in investment in new plant and equipment and over 8,000 new jobs, so we think they work.

In your testimony you mention them almost solely from the focus of the urban areas, the blighted central cities, and we do have those there. We also have some very high areas of unemployment and poverty in the rural areas.

Do you see the rural enterprise zones as being part of your initiative as well?

Mr. KEMP. Senator, the answer to that is yes. In the enterprise zone bill introduced by Congressmen Garcia, Rangel, Gray, and Kemp, back in the previous Congress, rural was I think one-third of the total designated zones.

Thanks to Senator McCain of Arizona and some other Senators who have Indian reservations, we added the Indian reservation as a zone for enterprise purposes, which I thought was a unique way of saying to those areas of the country, rural and urban as well as Indian, Native American, that we would try to take some extraordinary steps to put small business job creation into those areas.

So I appreciate your comments, and what I would like to do—and I mentioned doing a tour of the homeless—Kimi Gray and I are going to spend some time visiting in St. Louis, Carr Square that is about ready for conversion to tenant management and tenant ownership like Kenilworth/Parkside.

I would like to tour some of the tenant management projects and I also want to spend some time, Kit, going to enterprise zones around the country to see what we can do at the Federal level to facilitate the work that has been done by some of the progressive governors in this country who have either enterprise or opportunity zones, as they are called in some parts of the country.

Senator BOND. Following up on your comment, we again appreciate the mention of the Cochran Gardens, Carr Square, and the dynamic leadership of Bertha Gilkey and we appreciate what Kimi Gray has done in this area.

The thing that I am wondering is how do you see your Department being able to transfer that leadership to other areas? What kind of ideas do you have to stimulate to create another Kimi Gray, another Bertha Gilkey? How are you going to make that work?

It is a great idea but we need some very unusual people to accomplish it.

Mr. KEMP. Well, they are unusual, but there are millions of unusual men and women out there. They right now are hiding in anonymity. But I think they will—excuse the expression—they will "pop up." They are just folks who are activists. They are folks who have talent. And I think it is up to us to create the environment in which that natural talent and sense of activism can be energized.

No one knew Kimi Gray until this thing began to take shape in her mind and her wonderful example of self-help and motivation, and cleaning up and cleaning out Kenilworth/Parkside. Mayor Barry got involved, Walter Fauntroy got involved.

Imagine Kimi Gray getting Walter Fauntroy from the District of Columbia and Jack Kemp from the suburbs of Buffalo together on a project in east Washington, DC. I didn't know Walter Fauntroy. I had been in the Congress with him, but I didn't know him, and it was Kimi Gray that brought us together.

Now, if Kimi Gray and Walter Fauntroy and Jack Kemp and Kit Bond can get Bertha Gilkey and Kimi Gray and Loretta Hall, and elevate them to the front pages of every newspaper in the country or to Time magazine, as she was recently featured in, I am certain there are just literally thousands of people out there waiting for the example that she has given.

And I think that is the purpose of leadership, Kit, to bring out the best in people. And if this Government can do it, I think we are all the beneficiaries, because we are all suffering if anybody is left out of this call for what President Bush has called "a thousand points of light."

I think there are millions of points of light out there and they are in the hearts and minds of women like Kimi Gray and men like I met at the Carpenter's Shelter who spend 6 hours, from 12 a.m. to 6 o'clock in the morning working at Carpenter Shelter for nothing other than a sense of satisfaction in their church of making a contribution to homelessness in the D.C. area.

Senator BOND. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Bond.

Senator Sarbanes.

Senator SARBANES. Thank you, Mr. Chairman.

Obviously, one way to be able to make an impact or dent on some of these problems is through putting together a package that is public and private—not only Federal but State and local and the private sector. In other words, leveraging and using the Federal moneys as an important fulcrum to draw in significant resources from elsewhere.

So I want to cover a few programs in that regard. We are obviously trying to work with you here to try to move things. The Nehemiah program is the first one.

Now, that program has been tried in Brooklyn with considerable success, provided new permanent housing for lower-income families through public seed money and working with nonprofit groups.

In New York, about half of the people came from assisted housing. There were income limits, so the other half were somewhat above the levels, but nevertheless still in need. Of course, as you draw people in from assisted housing into Nehemiah, that opens up public housing and section 8 certificates for others that are on the waiting list. So it is not only the people that are able to move into Nehemiah, but then others are able to move into where the Nehemiah people were, so you get a double benefit out of it.

As I said at the outset, the Congress has appropriated $20 million in this year's budget. The money is there. The submission, the budget submission of the outgoing administration proposes to rescind it. So it seems to me that one clear signal that could be sent would be to drop that rescission and to try to move with the $20 million.

I don't expect the Congress to support the rescission in any event, but it does seem to me that you could move with that program. And I hope you will consider pushing that very hard on the OMB.

Mr. KEMP. Well, Senator, you have put your finger on a goal that I think has been said several times, something that is shared by both sides of this debate, and that is homeownership. And I liked Nehemiah because it was a homeownership public-private partnership, and I did see what has happened in East Brooklyn and the consortium of churches that got involved in the Nehemiah program, and it has worked.

Maybe it can work better, but I think—I want you to know that I am an advocate of homeownership across the board from the types of things we talked about earlier to Nehemiah, and maybe there are some other unique ways of doing it. But I am going to support all attempts, including Nehemiah.

I want to make sure that I make my case in the debate in the administration and I certainly will carry to the powers that be at OMB, the strong feelings that you and Senator D'Amato and others have for Nehemiah and the idea of homeownership.

I believe that the Bush administration is going to want to come up with some innovative, positive, and progressive answers to this whole idea of homeownership, and I want you to know I will certainly put a strong arm behind the Nehemiah program.

Senator SARBANES. Let me tell you another thing you can do to help move it along. On November 8, HUD issued draft regulations with 60 days for comment, which ended on January 9. It is my understanding they have received a number of comments from across the country in order to consider issuing the final regulations that would govern the Nehemiah program.

I just urge you to have the HUD bureaucracy continue to move on putting those regulations in final form, despite the fact that a rescission is pending. Even if the new administration doesn't drop the rescission, I don't think the Congress will uphold it, and therefore it is my expectation that that $20 million will become available for the Nehemiah.

In any event, I see no reason why developing the final regulations and having those in place so no time is lost on that front shouldn't continue within the HUD bureaucracy.

Mr. KEMP. My staff is here, Senator, and I will have an answer for you by Monday on the progress of those regs, and we will look at that with a very, very sympathetic eye.

Senator SARBANES. Now, on UDAG, as you know the UDAG program is to be phased out, but HUD was to be allowed to continue to use recaptured prior year funds. Again, that is proposed to be rescinded in the budget that was submitted. That is some $52 million, it is estimated. Then again, that is a leveraging, because in a lot of places you can get 5 and 6 to 1 leveraging off the Federal funds, so you are talking $250 million to $300 million of programs. They need to be carefully selected, obviously.

That is another tool that is available to you for the current year. That is something you can move with immediately. And I would urge you again to look at that, not to let that resource be in effect taken away from you.

Mr. KEMP. Well, I don't want to get into a debate in the limited time that we have over UDAG. I think UDAG has been used successfully in several instances. And again coming from my own Buffalo experience, I have seen those leveraged funds, as you point out, do some good things.

I must admit to you, Senator, without again getting just into too philosophical a comment, that UDAG in a lot of instances—well, I don't know if that is too broad or not—but in many instances I should say, has been used to do things that might have otherwise have been, or were done or used, say, for large hotels that had access to credit and capital, and then competed with hotels that were not, did not have the accessibility to capital and credit.

Senator SARBANES. I am not arguing the broader issue because what is happening on the broader issue——

Mr. KEMP. OK. You are just talking about the current budget.

Senator SARBANES [continuing]. It is on its way out. In the course of it going out, it was provided in the law that——

Mr. KEMP. $52 million could be used.

Senator SARBANES [continuing]. They could use recaptured moneys.

Now, you are in a position to decide how those recaptured moneys would be used.

Mr. KEMP. Are going to be used. Right.

Senator SARBANES. So you could, by your own judgment, eliminate the kinds of projects that you are critical of and which, in part, led to this decision to phase the program out.

I am just trying to get you to make those resources available to you in the course of the phaseout.

Mr. KEMP. I see what you mean. I misread your question then.

Senator SARBANES. I think the same thing is true with the section 312 rehabilitation moneys as well, which I think you should take a look at. Again the option to use recaptured funds is proposed to be rescinded and you would lose a resource that you could use in this next year.

Finally, because my time is up, I know you have met with Jim Rouse who headed the Rouse-Maxwell task force. And it is my understanding from talking with him that he felt you had a very constructive and productive session.

I simply want to just say that I think Jim Rouse is really one of our outstanding citizens. He is a man who has been enormously successful in the private sector, but he has combined that with a vision with respect to corporate responsibility and public service that is really rare, if not unique.

I think that the commitment he has made to try to address this problem, some of the work he is doing directly through the Enterprise Foundation, the effort they have undertaken in Tennessee and in other places, really does provide a model. And I simply hope that you will continue to consult and draw on his wisdom and advice and guidance. I don't think you could go to a better source, frankly.

Mr. KEMP. Let me thank you for your comment about Jim Rouse. I visited the Enterprise Foundation and I have already invited him over to HUD, if I am fortunate enough to be confirmed, for lunch so that they could have a meeting over there.

No, I would draw upon expertise—and I agree with you, Senator—there are a lot of men and women of good will in the corporate sector who are really anxious to get involved in some of these inner city problems, both housing and economic development.

I guess I shouldn't mention names, but you mentioned one who is prominent, but I think there are literally hundreds across the country who want to be used to help this public-private partnership idea that has been mentioned several times here today. So I will definitely continue to meet with Jim and others like him.

Senator SARBANES. Mr. Secretary—and that is an assumption which I think will be borne out——

Mr. KEMP. Thank you.

Senator SARBANES [continuing]. We look forward to working with you.

Mr. KEMP. Thank you, sir.

The CHAIRMAN. Senator Heinz.

Senator HEINZ. Jack, I had to go to the Finance Committee for another hearing and I may have missed something that you said on homeownership and urban homesteading which was a part of your opening statement, which was excellent I might add.

I know that you intend to help empower the poor by encouraging resident management and homeownership. Have you got some specific plans at this time or do you anticipate sending us plans in the fairly near future?

Mr. KEMP. Plans would be a little bit more formal than I would be ready to say at this point. Ideas would be more like it.

I said earlier that Kimi Gray and Bertha Gilkey and Loretta Hall and others would like to go immediately—I think in St. Louis, Carr Square is about ready to be taken into the tenant management, tenant ownership stream. I think that becomes then another example in the Midwest. There are projects in Chicago and Boston. I really should be careful here because I just don't, off the top of my head, but the answer is yes, I want a place in my office for the advocacy of this issue.

I told Senator Sarbanes earlier I wanted to do it without depleting the stock of housing but, at the same time, I just think it is essential that we move quickly to establish the conditions in this country for management and ultimately ownership, and I would like to see a really bold move quickly in this area.

Senator HEINZ. Are you going to need any help legislatively from us in the Congress to do it?

Mr. KEMP. Let me answer that question at a more appropriate time, because I haven't had a chance to look at how the regulatory legislative impact of what we did in 1987 and 1988 had on this goal, but I think the way is open.

We had mentioned a couple of times "bureaucracy." I want folks to know that I plan to go to HUD with a sense that there are so many well-meaning people in public housing, at HUD, at the PHA's, at the State and local level, I know several of them in my area—I know you do, John, in your area—and I would like to engage them, I would like to visit some of those areas and I would like to try to get people a sense of this overall cause and good will that is generated here today because I think a lot of people would like to be similarly motivated.

Senator HEINZ. I commend you. But let me ask you a different question.

Mr. KEMP. And they are good folks, too.

Senator HEINZ. A different question.

Last year when I was preparing to give a speech to the Remaking Cities Conference in Pittsburgh, I did some research on how much Federal money came into my home county, Allegheny County where Pittsburgh is, and I was astonished to find out two things. First, the annual amount of Federal money that is trackable is $5 billion a year for 1,700,000 people. And, second, 80 percent of it comes not in the form of mass transit assistance to authorities or CDBG grants or UDAG's or public housing construction funds, but it goes to individuals in the form of Social Security payments, Medicare, Medicaid, AFDC, housing certificates or vouchers, veterans' benefits and so forth.

It would appear that our most successful way of helping our cities has been, so far, to help the people in the cities. And I think that is really the concept of your urban enterprise zones.

You have been looking for some time to get some tax incentives that will give more meaning to your urban enterprise zone initiative. Let me draw your attention to a tax incentive that is currently in the law but is woefully underutilized because we have cut back on the financing of the administration of it. Since 1980, it has provided job training and jobs, specific jobs, for 3 million people. It is a program, as I see many quizzical faces in the audience, that is the best-kept secret in our tax code. It is called the Targeted Jobs Tax Credit.

It is a substantial tax credit to an employer who hires somebody who is on AFDC, economically disadvantaged youth, economically disadvantaged Vietnam veterans, ex-offenders, and others. It has worked for 3 million people.

Now, there is a problem and there is an opportunity. The problem is that each year that I manage somehow, working with your friend and mine, Charlie Rangel in the House, by hook and by crook to get it extended for another year—there was one hiatus since 1980 where we just couldn't find the wherewithal to do it—that the program gets this flavor, "Well it's here today and gone tomorrow." And its continuation is not in the budget again this year.

The challenge, of course, could be to use it constructively, either as it is or on an enhanced basis for promoting the equivalent of your urban enterprise zone strategy.

What is your reaction to being a part of seizing that particular opportunity and making something happen there?

Mr. KEMP. I agree with you. The enterprise zone does have a compatible tax credit, like the Targeted Jobs Tax Credit. Is that what it is called?

Senator HEINZ. Yes. The Targeted Jobs Tax Credit.

Mr. KEMP. The Targeted Jobs Tax Credit. Right.

You know, John, the Reagan budget, the last Reagan budget did not even include enterprise zones. Now, I am not free today to say what is going to be in that February 9 speech by George Bush or in his attendant paper that will tell us the budget changes that they want to make. But I am free to say that, having talked with the President, George Bush, and having talked to Dick Darman, I am convinced that there will be changes and they are going to be sympathetic to enterprise zones.

And I think the Targeted Jobs Tax Credit is a good place to start.

Senator HEINZ. My time has expired and I don't wish to impose on Nancy's time any longer than I have. Let me just urge you to take a very quick and serious look at the Targeted Jobs Tax Credit because it has worked, it does work, and it can be utilized I think to achieve what we both want to achieve.

Mr. KEMP. I share your enthusiasm for anything that helps hire folks off the welfare and unemployment rolls, and tax credits, I have never had the problem that some folks do with it.

Senator HEINZ. Thank you, Jack.

Mr. KEMP. Thank you, John.

Senator HEINZ. We look forward to calling you, soon, Mr. Secretary.

Mr. KEMP. Thank you, sir.

The CHAIRMAN. Thank you, Senator Heinz.

Senator Kassebaum.

Senator KASSEBAUM. Thank you very much, Mr. Chairman, and soon-to-be Secretary Kemp.

Mr. KEMP. Thank you, Senator.

Senator **Kassebaum**. I apologize for being late. I am ranking member of the Education Subcommittee, and Secretary Cavazos has been testifying there.

I was interested in hearing that in your opening comments, you mentioned having gone to the Overtown area of Miami and made a visit there. And I think that exemplifies what I believe you will bring to the Department of Housing and Urban Development: An enthusiasm, a dedication, a concern, a vitality that is going to be very important.

You said that you heard from people there, their desire for housing, education, and job opportunity. And I think that is so very true. It is one of the reasons I am terribly interested in education.

I might just share with you, a quote of Justice Oliver Wendell Holmes, commenting on the importance of housing. He said, "Citizens will not shoulder a rifle in defense of a boarding house." That might be, I think, a very fitting comment to recall.

Mr. **Kemp**. Would you like me to make a comment about that, because those folks down there in Opa Locka and Liberty City and Overtown said, "Please, Mr. Secretary,"—they were a little presumptuous but I let them have their way—"please don't put up any high-rise public housing. We don't want that. We want a chance to own homes. We want a chance to obviously get housing and to own our own home, but don't put up any big public housing project." That was the first thing they said.

So you are right.

Senator **Kassebaum**. I commend you, because I think it is so important to get out and really hear and sense what people care and are concerned about.

Mr. **Kemp**. Hope to do more of it.

Senator **Kassebaum**. We talked a little bit, when you came by to visit, about the urban enterprise zones. And I shared with you the fact that I am not a totally enthusiastic supporter of such, however, I won't go into great questions on that. You have been here a long time.

I would just like to urge you as this moves forward to make sure—and I know you have given a lot of thought to it—that it doesn't end up a new UDAG; that we don't somehow create something else that is really not going to provide the needs that one would hope.

And as you well know, it takes a lot of dedication in order to make sure that it doesn't become just another program, used perhaps in areas where there isn't that need. And I wonder if, in your analysis from past involvement with this, if you have made any estimates of what an expected cost might be of the foregone revenue.

Mr. **Kemp**. Well, the question engenders fierce debate, because if you look at the cost of an enterprise zone, say you are looking at it from a static standpoint, that if you lower the tax on an entrepreneur in an area, that the revenue foregone will end up—I think the estimate that we did in 1982 when the enterprise zone bill was reintroduced by Congressman Garcia and Bill Gray and myself was in the range of $750 million to $1 billion a year, for 4 or 5 years.

And I must be very frank with you. When the budget committees and OMB and certain segments of the Senate and the House looked at that cost, they said, well, we can't afford it. And so it was obviously not passed in the last 8 years.

I didn't take this job with the idea that I am going to let another 8 years go by without putting in place enterprise zones for urban and rural areas of America that are so distressed in terms of lost population, lost tax base, lost employment opportunities and lost hopes. I would say to the gentlelady from Kansas, that this is a real dream and goal and it is one that I think is shared commonly. And I look forward to working with you and to spend more time with you, Nancy, on the issue.

Now, having said that, the debate will be fierce, but I am convinced that it is impossible to measure the tragedy in the lives of people who go without any hope of ever starting a small business or getting a job in those areas, and I don't see how we can measure that investment in the future in just tax dollars.

But how is it possible that you can suggest that abolishing the capital gains tax on a potential entrepreneur who has not yet started a business and hired a man or a woman off the welfare rolls, how is it possible to measure that with some piece of paper and a pencil at Treasury? They always come up with a static analysis, and I think we have got a big job on our hands to try to convince the concerns of the budget committees and the concerns of OMB and the concerns of Treasury that this is a dynamic approach to economic development that will pay off richly in dividends and will also pay off in revenue, expanding the tax base.

Senator KASSEBAUM. Thank you.

I look forward to working with you on this issue. I think it is illustrative of your enthusiasm and your dedication. I was pleased to hear your comments on the McKinney bill.

I know my time has passed, but would just urge that as you work toward the full funding of that, also look to greater coordination for some of those needs, because it is a very scattershot approach, I think, and while it is enormously important, I think there are great opportunities there, too.

The CHAIRMAN. Before yielding to Senator Cranston, I just want to make an observation. That is that I think a lack of hope, if it is widespread, starts to give rise to a kind of civil anarchy, and I think there is plenty of evidence in a lot of places that we have in effect at least the beginnings of a kind of civil anarchy.

You see it in the crime statistics, you see it in the drug use, you see it in the shootings. We had young students in schools gunned down yesterday in this city, and it is going on virtually in every city of this country of any size, every single day.

Now, we can talk about what the causes are and we can try to track that down, but the fact is there are a collection of circumstances where the lack of hope is really the breeding ground for that kind of an unraveling of our social situation.

In housing, I think your comment going back years ago to the idea that somebody will not shoulder a rifle in behalf of a boarding house or a hot-air grate, to bring it up to date, or anything else, is probably right. People have to have a stake. They have got to be stakeholders.

Senator Cranston.

Mr. **Kemp**. I am glad to hear you say that, Senator. I agree with you totally.

Senator **Cranston**. Thank you, Don, for yielding to me. I appreciate it very much.

As you well know, I enthusiastically share Senator Sarbanes' view of Jim Rouse and his capacities. I know there are hundreds of people out there with all sorts of constructive ideas and experience and knowledge. But I hope that Jim Rouse and also David Maxwell will be people that have many opportunities to think things through with you, because they have thought long and hard recently about all these problems, and I think they can be an invaluable resource to you, as they have been to this committee.

I guess the most troublesome legacy of the Reagan administration is the escalating rise in homelessness in this Nation. As you know, President Bush has called for full funding of the McKinney Act. I am delighted.

You said homelessness will be your highest priority. The last Reagan budget underfunds the McKinney housing programs by $150 million. So let me ask you how you are going to accomplish the full funding. Will it be by endeavoring to increase the HUD budget to cover that as well as whatever else is needed? I hope not by transferring funds from other underfunded programs.

Mr. **Kemp**. Senator, let me have an opportunity to have my conversations with Dick Darman on the full funding. I am not looking for a zero sum approach either to life or to budgets, but it may be that there are places, and it may be that we are going to have to do it with just more moneys. But I want you to know that at least—let me make the statement that we are committed to the full funding of McKinney, and leave it at that at this point and not say—because I just don't know at this point how to answer that question without having a chance to visit with Dick Darman.

Senator **Cranston**. That is fair enough at this point. I understand that.

The last administration sent to Congress a steady stream over the years of proposals designed to "get the government out of housing finance." These proposals included selling FHA, privatizing Fannie Mae and Freddie Mac, making Ginnie Mae guarantees more costly and so on.

Year after year, the Reagan administration proposed new excise taxes on housing finance. They called them user fees, but I think they were really excise taxes.

Congress—and this was done bipartisanly—rejected all these proposals. The 1990 Reagan budget once again proposed so-called user fees on Fannie Mae and Freddie Mac.

Can you give us any indication of what the new administration's position will be with regard to changes in the status of FHA, Ginnie Mae, Fannie Mae, Freddie Mac? Do you expect additional efforts for user fees and so forth?

Mr. **Kemp**. Well, I share—first of all, I think I answered a previous question about the user fee that I had opposed it in the Congress. I know Congress had put a moratorium on that idea, and that I had been a vigorous supporter of that moratorium and opposed user fees in the past.

I want to speak now as Kemp, not that I have exhaustively pursued this issue with the administration, so I will certainly get back to you with regard to an official Bush administration position. I share your enthusiasm for the role of FHA and Fannie Mae and Ginnie Mae and Freddie Mac and the effort that is made to expand housing through this public-private partnership that has worked so well for America over the years.

Notwithstanding the problems—and they abound—there has been an incredible expansion of the opportunity to afford to buy a home through the use of these government entities. I don't see anything on the horizon from the Bush administration, other than to keep using them the way they are being used, and with the fiduciary responsibility that I have now at HUD, I want to assure you I will do everything I can to make sure they are actuarially sound for the future.

Senator CRANSTON. Great.

I agree with you very much that we should explore ways in which tenant management and ownership can make a substantial difference in the lives of people who live in public housing.

I have one underlying concern, and that is that we proceed with approaches that can be replicated cost effectively on a national level. I am impressed by what has been accomplished with the leadership of Kimi Gray with the Kenilworth/Parkside project.

The committee has been told that the average cost of rehabilitating a unit in Kenilworth/Parkside with CIAP funds was $48,000. That contrasts with an average of $31,000 for the District of Columbia Public Housing Authority, $18,000 for HUD's District of Columbia field office, $14,500 for HUD Region III, $9,600 for the Nation as a whole.

I assume that what was done at Kenilworth/Parkside makes it far more attractive. It must be a great place from what I have heard about it and what you say about it. I am sure that tenants residing there are going to benefit by the infusion of CIAP and other funds, but I have two questions relating to tenant management and ownership programs.

First, assuming that it is important to know what the full costs of this effort are, I would like to ask you to work with the committee—this isn't really a question—to get a full estimate of the costs related to Kenilworth/Parkside and other projects that are being converted to tenant management and ownership.

The question is: How large a program do you propose to make out of tenant management and ownership? What proportion of the total public housing stock would be involved and what costs do you think that will mean?

Mr. KEMP. I don't have an answer to the cost question. But, Senator, let me say that I will do everything in my power very early in my administration at HUD if I am confirmed, to get you a breakdown on the cost of those types of rehab of possible tenant management operations.

As far as the overall goal, it is an ambitious goal, an audacious goal some would say. I hasten to add that the goal does not preclude—well, let me put it in a positive way. The goal to convert to tenant management and ownership is done with my mind's eye on a goal that you share, which is not to deplete the housing stock. So I want to make that, for the third time today, self-evident.

Then, third, it is ambitious, but I would think that in these next few years we could see dozens of projects in this country. I think it is important to get this example out all over the country and as swiftly as possible within the bounds of prudence and fiscal responsibility that you and I both share.

So let me leave it in that more vague terminology at this point and get back to you early in the next week or two so that I can have a better handle on what the so-called rehab costs are.

Senator CRANSTON. Fine.

Mr. KEMP. But I am thrilled, and I know Kimi Gray is thrilled to hear Senator Alan Cranston of California, such a leader in housing, talking so positively about this program. But I pledge to do it with prudence and responsibility for the obligation to make sure that we are not trying to suggest that every single tenant is somehow disadvantaged in that way. There is nothing wrong with renting, but my goal is homeownership, and I think homeownership is at the heart of what we all believe is the American dream, and certainly something George Bush talked so much about in his campaign.

Senator CRANSTON. Well, I thank you very much for all your responses. I have some other questions, but I will not impose now on you or the committee or others asking them verbally. I will submit a few in writing.

I want to congratulate you on the grasp that you are rapidly developing of these issues and on the fact that you are to be confirmed and that you are going to accomplish a great deal in that role. It is going to be a pleasure to work with you.

Mr. KEMP. You are very generous. Thank you.

Senator CRANSTON. At some point I want to ask you a question about were you as creative with new ideas when you were a quarterback——

Mr. KEMP. Absolutely.

Senator CRANSTON [continuing]. And how did you handle your coach?

Mr. KEMP. The longer I am in retirement, the greater I used to be. Let me put it that way. [Laughter.]

The CHAIRMAN. Did you find that when the pass protection broke down and those 300-pounders were after you, that you got more creative? Did that help stimulate the creative process?

Mr. KEMP. You would be surprised what genuine human fright will do for one's creativity.

The CHAIRMAN. We will close shortly here. I just want to touch on two or three things and then finish the hearing.

In our earlier conversations when we spoke about some of the things going on across the country, particularly in Michigan and in our major urban centers, Detroit, my home town of Flint, you graciously indicated that at some early date we would find an occasion to go out there together and take a look at some of the things that are going on and think creatively about what might be done.

Mr. KEMP. I would be happy to.

The CHAIRMAN. I appreciated that and we look forward to it. And I want you to know that a common friend of ours, Bill Donahue, who was in Buffalo, is now in the Flint area and is in charge of economic development efforts there in the private sector. He and I have spoken. We have got some plans going, and we really hope to try to cross-connect that effort with things you have in mind coming out of HUD.

Second, I want to say something about the savings and loan problem. We have not really touched on that today, but it is an enormous issue as to the problems that face that industry and the role that industry plays in our society and where it is going, principally with respect to housing which is the centerpiece of the responsibility of the Department of Housing and Urban Development.

The best data that we have indicates that at the present time, the savings and loan industry would tend to originate something on the order of 40 percent of the total home mortgages in the country. But that figure rises and falls, depending on where interest rates are, availability of capital. We have sort of got a capital shortage because we have a low savings rate and so forth.

The history of the savings and loan industry, as you know, was to be created to drive and foster homeownership and to try to achieve that part of the American dream that you spoke about and you and I both so strongly share a feeling about.

In any event, some people now say that with the problems in the savings and loan industry, that maybe it ought to just disappear, and the implicit assumption is that somehow all of that mortgage lending would originate in the same places, at the same rates, year in and year out, with availability to people under that situation as presently is the case.

I have very severe doubts about that for many reasons. Part of it is the constancy of the flow of capital into housing which you need all the time, not just when maybe other capital market movements would take capital over into that area.

I also wonder if we were to just hypothesize the disappearance of the savings and loan industry if not only would we find less capital available for home mortgages, but that would obviously mean at higher interest rates. And, of course, then that is the question of who gets priced out of the chance to own a home.

I think there is another aspect of this as well, and that is that I think probably a lot of the home mortgage originations that go outside the normal savings and loan and banking type lending institutions, the new financial intermediaries that have come into the picture I think tend to be moving in the direction of going after the most attractive mortgages, the very large ones, the ones that are most secure and for people who are buying very expensive homes. I think there is a tendency to sort of cream off a certain part of the customer base of people seeking home mortgages.

In terms of the rank and file people that you and I represented in Congress, I did in the Flint area, you did in the Buffalo area, the folks that finally reach the point where they have saved enough money and they are about to cross that threshold into going out and getting a home mortgage and buy a home, I think the availability of a dedicated lending institution all across the county in every community has a great meaning and value today to those individuals and to those families.

This is one of the things I think we have to reason through as the debate now sort of reaches a very high temperature level in terms of the question of what is to be the future of the savings and loan industry.

I say all that by getting to this point, and I would welcome any comment you want to make on it. I think that the implication for home mortgage originations that comes out of this question of what is the future of the savings and loan industry to be if there is to be one—and there are some who argue that maybe there shouldn't—I don't take that view but there are some who do—may have a bearing that is potentially very profound on mortgage originations and homeownership which is the centerpiece of the job that you are here seeking to be confirmed for today.

So it has crossed my mind that you ought to be part of this debate about the restructuring of the savings and loan industry, what should be its focus. Is its housing function critical to our future? It has produced a lot in the past. But I would hope that someone who can look at this from the point of view of the family or the individual, 6 months, 1 or, 2 or, 3 years from now, who is ready to go out and get that home mortgage really has the chance to do it as well as they are able to do it today, and maybe even better if we do our job right.

Do you have a comment on that?

Mr. KEMP. I just totally endorse and identify with the comments you made. I have to be, as you can appreciate my role here today, I have to be pretty darn careful how I would answer formally such a question, except to just give total identification and endorsement to the comments you made. We need a dedicated lending institution, such as a strong American S&L and thrift industry.

I think homeownership not only for the broad middle class of America and young homeowners would be diminished, but I think particularly it would diminish, almost extinguish if you will, the chances for very low-income people to own homes.

I was terribly disturbed the other day when I saw on the front page of USA Today, something that we knew intuitively was happening, but we did not intellectualize until we saw the statistical analysis of the squeeze on low-income and poor folks and blacks getting a chance for proper liquidity in the credit market, or I should say in the lending institutions.

And I think if there is going to be the type of progress that you and I want to see, the recovery of the S&L's and a strong dedicated lending institution in the United States of America, I think it also behooves us to give some thought to how we can make sure that an adequate supply of credit and liquidity goes to the less fortunate and to the poor and to those areas of the country that need help, and to black folk and other minorities who for so long have been kind of left outside the conventional mainstream side of this lending practice.

So I am not casting aspersions now.

The CHAIRMAN. I understand.

Mr. KEMP. I am just saying we have got a big job on our hand to repair the damage to the institution. I think it is an incredibly important one, part of the American experience, and I think it is also important that reforms be made, but that is probably further than I should be going in my responsibility.

The CHAIRMAN. Let me just say to you, I think you may want to invite yourself into those discussions from the policy point of view with respect——

Mr. KEMP. They are probably getting nervous at this very moment that here comes Kemp.

The CHAIRMAN. There are a lot of complicated financial dimensions to this thing that have to do with how the structure works today and so forth, but the policy dimensions of the future of the savings and loan industry centered around this housing function is really as much the primacy of your department and your point of view as it is anybody in the executive branch.

So, just in thinking about it, I don't know that all of that discussion should move to conclusion about what it ought to look like in the future when the largest stakeholder with respect to housing opportunities and home mortgages is really within your jurisdiction.

Mr. KEMP. I must tell you, very candidly, I have not talked to President Bush about that specific item, but I have mentioned to him, and he has enthusiastically endorsed the idea of my playing a role in the domestic economic policy forum at the White House, and I plan to exercise that portfolio, and I appreciate your alluding to it publicly.

The CHAIRMAN. One other thing. The UDAG program. I want to just file a dissenting view, a contrary view to what Senator Kassebaum said. There are some of us who feel very strongly about the value and the success of the UDAG program over a period of years. Not that it has been perfect; I am not sure that we have ever had a perfect program.

But I think a lot of important good and valuable accomplishment has taken place, a lot of jobs created, a lot of areas revitalized. But as you and I have discussed before, if you look at the concept of the UDAG program, it is not that far different than what I think of as the essential concept of enterprise zones. It has the feature of a small amount of public investment driving a very substantial amount of private investment, some multiple of private investment. They have to derive from local decisionmaking, whether it is folks like you have brought with you today or local consortiums of business and private sector leaders, so it is not the Federal Government deciding what ought to go on in Buffalo or some other places.

Mr. KEMP. But doesn't it, though?

The CHAIRMAN. Well, I don't think so.

Mr. KEMP. Don't we make the final decision?

The CHAIRMAN. We make the final decision as to yes or no, but we don't make the final decision as to whether—and that is only because we have got only so much money to allocate so there is a competition in terms of the value of the product, in terms of how many jobs created and how desperate is the need in a given area.

But to go and say, "Look, we don't like that project. You come back with something that's radically different," no, that is not the way it works. So there is really an enormous degree of local initiative and talent that comes up through that forum.

But I want to lead to another point, and that is the UDAG structure, the people who run that operation in HUD now as it is diminishing, because we are in a sense in a phaseout condition.

I think if it disappears, you are going to find before too long, if under a different heading, you are going to have to reinvent what has just disappeared. It is a little bit analogous to the disappearance of public housing units after 20 years when we desperately need them. We obviously don't want to have what we need and what we now have disappearing and compounding the problem.

I would just say to you again, as I have said privately, but I want to say it on the record. I think it is worth some very careful thought as to whether that very small, very experienced, highly regarded team should be sort of broken into pieces and scattered to the four winds, only to turn around and find out that a variation on the theme, enterprise zones, greenlining, has to be done and you are going to need, in essence, the same kind of a team with a lot of the same philosophy and orientation, and somebody is going to say, "OK, let's go put that team together."

I am thinking that you may in fact have a large part of what you need, even if you want to shift the direction. And I am open to shifts in direction, as I have said to you.

Mr. KEMP. Could I make a quick comment?

The CHAIRMAN. Please.

Mr. KEMP. Look, you and I have had this conversation privately in your office. We are having it here today to a certain degree, and it is going to be an ongoing one, and I want you to know I welcome it, I applaud the effort that you are making intellectually to think about this issue which unfortunately has been cast aside by all too many people.

Having said that, I would like to just remind you and particularly those who may be listening, or for the record, that will be another part of this debate, David Birch in his study at MIT of small business job creation and job creation activities in cities over the past 10 years, made a very, very important I think contribution to this debate and it is one that I would like to engage Chairman Riegle and Kemp get involved in to a greater degree than we have here today, or the possibility today.

And it is simply this: That the Government cannot pick and choose who are the small business men and women who have come up with the best ideas. Ultimately in our infinite wisdom, or at least yours——

The CHAIRMAN. I don't know that there is any in this town. If there is, I haven't found it after 22 years.

Mr. KEMP. Birch made the point in this whole study, Don, that it was almost impossible, that invariably government was making these economic development decisions, whether it is State or local or Federal, were making decisions that were always compromising someone else's access to capital or credit or a good idea.

And I am not arguing for just a laissez-faire approach, but I am suggesting that we should be very careful before we design a program that goes into enterprise zones which, generally speaking, just says let's say to that entrepreneur, that potential entrepreneur, here is a wonderful carrot out here for you to get involved in creating a small business that, as you know from Michigan experience, as I know from Buffalo, 99 percent of all the new jobs being created in America today are in companies with about 125 employees or less—it is so impossible for us to micromanage that economic development tool.

So I want to be careful that when we debate UDAG that we see some of the good done, we rarely see what that limited availability to credit has done to the guy that didn't get access to it. That is what concerns me. I was always for targeting UDAG's to the most distressed area.

Well, I guess this could be ongoing.

The CHAIRMAN. And I am not sure that there is value in doing that. You have been very patient and you have been in the chair a long time.

Mr. KEMP. Well, you've got my attention and I look forward to debating UDAG's and other development tools in the future with this committee.

The CHAIRMAN. And I want to make sure that we don't replace something that has had, I think, a pretty good success rate with nothing.

Mr. KEMP. It is not nothing to say you are going to abolish the capital gains tax for inner city. That is not nothing.

The CHAIRMAN. But as we reach for a new approach, you know, I don't know how long it will take to get it, to iron it out and get it in place, but my notion about stopping something that is accomplishing benefit now, with the thought in mind that at some point in the future we will have something else that is better, I am open to that idea but I am very sensitive to the question of how long is the gap in the middle, and promises that aren't concrete, that don't yield results, don't mean a thing as you and I both know.

Mr. KEMP. Well, insofar as the brain drain goes, I want you know that I think HUD has a chance to attract some of the best minds, some of the best men and women in the country, into the idea of economic development. And we are going to have a team at HUD that is both knowledgeable as well as excited about invigorating that entrepreneurial climate that you and I want to see returned to Flint or Buffalo or Liberty City or South Bronx or Watts.

The CHAIRMAN. Let me just finish by saying that we have got some written questions from other matters that we have not covered today from some Members who are not members of this committee. Senators Baucus, Kennedy, and Lautenberg have submitted questions. I have questions from a variety of other folks on the committee, in addition to myself.

We will submit those to you. We hope that you get those back to us within a week.

I want to move as quickly as we can to report your nomination favorably to the Senate and have the Senate act on it so that you can take the oath of office and really get rolling.

I want to also say that I appreciate the obvious strength of feeling that you have in coming today and expressing your views. I think the fact that, although we have a relatively empty committee room, we had a packed committee room for most of the day, and I think that indicates again the feeling about the potential of you to get this job done and also the desire of people on this committee to want to give it the priority and the help that it will take in order to accomplish that team approach and do it.

So we are delighted with the hearing today and we wish you and your feeling the best.

The committee stands in recess.

[Whereupon, at 1 p.m. the hearing was adjourned.]

[Biographical sketch of nominee and response to pre-confirmation questions and written questions sent at a later date follow:]

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Name: KEMP (LAST) JACK (FIRST) (OTHER)

Position to which nominated: Secretary, Housing & Urban Development Date of nomination: January, 1989

Date of birth: 13 July 1935 (DAY) (MONTH) (YEAR) Place of birth: Los Angeles, California

Marital status: married Full name of spouse: Joanne Main Kemp

Name and ages of children:

Jeffrey - 29	James - 17	
Jennifer - 26		
Judith - 23		

Education:

Institution	Dates attended	Degrees received	Dates of degrees
Fairfax High School			Graduated 1953
Occidental College	1953-57	BA	1957
Long Beach State	1958-59		
California Western Univ. (San Diego)	1961		

Honors and awards: List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships, and any other special recognitions for outstanding service or achievement.

Wake Forest University	Honorary Dr. of Laws	September 8, 1986
Medaille College	Honorary Dr. of Laws	May 18, 1988
Clarkson College	Honorary Dr. of Laws	May 31, 1978
Miami University of Ohio	Honorary Dr. of Laws	May 12, 1985

Memberships: List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations.

Organization	Office held (if any)	Dates
NFL Charities	Vice President	4/84 to present
NFL Alumni Foundation	Member of Board	1/85 to present
Martin Luther King Holiday Cmsn	Member	
CREED (Christian Rescue Effort For The Emancipation of Dissidents (Co-founde:		
Buffalo Rotary		
Elks		
Masons	33° Shriner	1988
Fund for an American Renaissance	President,Dir. & Chm.	6/81/ to 1/87
Lmtd Partnerships in:		
Albert George Well #1 5% interest		
J. J. Johnson #1 2% interest		
R&P Coal #1 2 % interest		

note: in addition, I am an nonorary chairman or board member of numerous charitable organizations as a result of being a Member of Congress

Employment record: List below all positions held since college, including the title or description of job, name of employment, location of work, and dates of inclusive employment.

January 3, 1989 - Distinguished Fellow, The Heritage Foundation

1971 - January 2, 1989 Member, U. S. House of Representatives

1957-1970 Professional Football Player:
  Pittsburgh Steelers 1957-58
  New York Giants 1958
  San Francisco 49ers 1959
  AFL Los Angeles Chargers 1960
  San Diego Chargers 1961
  Buffalo Bills 1962-1970 (retired 1970)
Note: During off seasons:
1961 Copley Newspapers, San Deigo, CA 1961-64
1968 Marine Midland Bank, Buffalo, NY also 1965 and 66
1965-70 President American Football League Players Association
1967 Asst. to Gov. Ronald Reagan, Governor of California (3 months)
1969 Special Asst to Chairman, Rep. Natl. Cmte

Government experience:

List any experience in or direct association with Federal, State, or local governments, including any advisory, consultative, honorary or other part-time service or positions.

MEMBER, U. S. HOUSE OF REPRESENTATIVES 1971- January 1989

Published writings:

List the titles, publishers and dates of books, articles, reports or other published materials you have written.

An American Renaissance, A Strategy for the 1980's, Harper & Row 1979

An American Idea: Ending Limits to Growth - July, 1984

A Monetary Agenda for World Growth, 1983

Advancing the American Idea into the 1990s - Aug., 1988

I have authored numerous articles and opinion pieces which have appeared in journals, magazines and newspapers including Policy Review, The World & I, Washington Times, Wall Street Journal, New York Times, Washington Post, LA Times, San Diego Union, The American Spectator, Human Events and others.

Political affiliations and activities:

List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

Honorary Chairman - Campaign for a New Majority-Federal
Honorary Chairman - Campaign for a New Majority-State
Chairman, Campaign for Prosperity
Chairman, Coalition for Economic Growth
Honorary Chairman, Committee forEconomic Strength
Chairman, Committee to Rebuild American Incentive

Political contributions: Itemize all political contributions of $500 or more to any individual, campaign organization, political party, political action committee or similar entity during the last eight years and identify the specific amounts, dates, and names of the recipients.

no personal contributions

Qualifications: State fully your qualifications to serve in the position to which you have been named. (attach sheet)

SEE ATTACHMENT #1

Future employment relationships:

1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

Yes

2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization.

none

3. Has anybody made you a commitment to a job after you leave government?

no

4. Do you expect to serve the full term for which you have been appointed?

Yes

Potential conflicts of interest:

1. *Describe any financial arrangements or deferred compensation agreements or other* continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

NONE

2. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

none

3. Describe any business relationship, dealing or financial transaction (other than taxpaying) which you have had during the last 10 years with the Federal Government, whether for yourself, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

none

4. List any lobbying activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or affecting the administration and execution of national law or public policy.

None

5. Explain how you will resolve any potential conflict of interest that may be disclosed by your responses to the above items.

no answer required

Civil, criminal and investigatory actions:

1. Give the full details of any civil or criminal proceeding in which you were a defendant or any inquiry or investigation by a Federal, State, or local agency in which you were the subject of the inquiry or investigation.

none

2. Give the full details of any proceeding, inquiry or investigation by any professional association including any bar association in which you were the subject of the proceeding, inquiry or investigation.

none

Attachment #1

I served in the United States Congress from 1971 through 1988 as the representative of New York's 31st district. I was elected to the House leadership as Chairman of the House Republican Conference in 1981, and I remained in that post until I resigned in 1987 to run for president. I served as a member of the House Appropriations Committee, the Budget Committee, the Select Committee on Children, Youth and Families, the Education and Labor Committee and the Select Committee on Small Business.

As a Member of Congress, I have worked to help develop some new and innovative initiatives to address some of the intractable problems facing our distressed inner cities. I helped develop the Enterprise Zone Job Creation Act, to provide incentives for employment and entrepreneurship in our most distressed urban and rural areas. I worked to help advance an initiative to allow public housing tenants to manage their own projects and eventually buy their own homes. A version of this was included in the Housing and Community Development Act, PL 100-242. I have supported legislation to strengthen the Fair Housing Act, which was enacted with bipartisan support from Congress and President Reagan. And I have worked in the areas of monetary policy and interest rates to improve long-term credit markets and the affordability of housing.

When President-elect Bush named me as his choice for Secretary of Housing and Urban Development, I spoke of some of the challenges I see in the area of housing and urban development, and I laid out the philosophy that will guide the Department under President Bush's leadership and my stewardship. I submit that statement to the Committee for its consideration.

RECAPTURING THE AMERICAN DREAM

STATEMENT OF CONGRESSMAN JACK KEMP ON HIS APPOINTMENT AS SECRETARY OF HOUSING AND URBAN DEVELOPMENT BY PRESIDENT-ELECT GEORGE BUSH, DECEMBER 19, 1988.

THANK YOU, MR. VICE-PRESIDENT, FOR APPOINTING ME AS YOUR SECRETARY OF HOUSING AND URBAN DEVELOPMENT AND FOR THE CONFIDENCE YOU HAVE SHOWN IN ME. IT IS AN HONOR TO STAND WITH YOU AND SERVE IN YOUR ADMINISTRATION AT THIS EXCITING TIME IN HISTORY, AND I LOOK FORWARD TO HELPING YOU FULFILL YOUR MANDATE TO LEAD THIS NATION IN TO THE 1990'S.

MR. VICE-PRESIDENT, YOU TALKED DURING YOUR CAMPAIGN ABOUT HOMEOWNERSHIP, JOBS AND EQUALITY OF OPPORTUNITY FOR ALL PEOPLE AS NECESSARY INGREDIENTS OF THE AMERICAN DREAM.

WHEN THINKING ABOUT THE CHALLENGES AHEAD, I'M REMINDED OF THE BEAUTIFUL WORDS OF DR. MARTIN LUTHER KING TWENTY-FIVE YEARS AGO. HE SAID HE ACCEPTED THE NOBEL PEACE PRIZE "WITH AN ABIDING FAITH IN AMERICA AND AN AUDACIOUS FAITH IN THE FUTURE OF MANKIND."

MR. VICE-PRESIDENT, YOU TOO, HAVE AN ABIDING FAITH IN AMERICA AND I WANT YOU TO KNOW THAT I HAVE AN AUDACIOUS FAITH THAT WE CAN HELP RECAPTURE THE AMERICAN DREAM FOR OUR DISTRESSED INNER CITIES AND THOSE WHO LIVE IN POVERTY AND DESPAIR.

I'M EXCITED ABOUT WORKING IN AN ADMINISTRATION THAT HAS PLEDGED ITSELF NOT ONLY TO SOME BASIC REFORMS, BUT TO SOME FUNDAMENTAL PRINCIPLES IN THE AREA OF HOUSING AND URBAN ECONOMIC DEVELOPMENT. GEORGE BUSH HAS REAFFIRMED THE GOALS OF THE 1949 HOUSING ACT, TO HELP CREATE THE CONDITIONS IN AMERICA FOR EVERY FAMILY TO HAVE DECENT AND AFFORDABLE HOUSING. HE RECOGNIZES THE APPALLING TRAGEDY OF HOMELESSNESS AND JOBLESSNESS, AND HAS ASKED FOR FULL FUNDING OF THE MCKINNEY ACT AND A PRIVATE ENTERPRISE JOB CREATION STRATEGY FOR OUR CITIES. AND HE HAS SAID THAT THE BASIC CHALLENGE FOR OUR HOUSING PROGRAM IS AFFORDABILITY--FOR THE POOR, THE ELDERLY, AND YOUNG FAMILIES JUST STARTING OUT. I AM LOOKING FORWARD TO HELPING GEORGE BUSH FULFILL THESE PLEDGES.

IN RECENT YEARS I HAVE SPONSORED A NUMBER OF URBAN POLICY INITIATIVES THAT HAVE HAD THE SUPPORT NOT ONLY OF THE PRESIDENT-ELECT, BUT ALSO A UNIQUE COALITION OF LIBERALS AND CONSERVATIVES, BLACKS, WHITES, AND HISPANICS. THESE INCLUDE GREENLINING OUR INNER CITIES WITH FREE ENTERPRISE ZONES TO CREATE MORE JOBS, URBAN HOMESTEADING TO EXPAND HOMEOWNERSHIP FOR RESIDENTS OF PUBLIC HOUSING PROJECTS LIKE KENILWORTH-PARKSIDE, AND TENANT MANAGEMENT TO HELP EMPOWER THE POOR. I'VE HAD THE PRIVILEGE OF WORKING CLOSELY WITH LEGISLATORS AND COMMUNITY LEADERS, MAYORS AND NEIGHBORHOOD ACTIVISTS, ENTREPRENEURS AND VOLUNTEERS. THEIR INSIGHT, THEIR EXPERIENCE, AND THEIR SUPPORT WILL BE ABSOLUTELY VITAL TO OUR EFFORTS. I PLAN TO ASK FOR THEIR HELP--AND I PLAN TO EARN IT BY KEEPING BOTH MY DOOR AND MY MIND OPEN TO ALL PEOPLE AND TO ANY GOOD IDEA.

I BELIEVE WE HAVE A UNIQUE OPPORTUNITY TO FORGE NEW ALLIANCES THAT TRANSCEND COLOR, ECONOMIC STATUS AND EVEN IDEOLOGY. IT ISN'T NECESSARY TO AGREE ON EVERYTHING, BUT IT WILL BE ABSOLUTELY NECESSARY TO SEEK CONSENSUS ON A PUBLIC-PRIVATE ENTERPISE PARTNERSHIP TO WAGE WAR ON POVERTY.

IF THERE IS ONE PHILOSOPHY THAT WILL DRIVE THE DEPARTMENT OF HOUSING AND URBAN DEVELOPENT UNDER PRESIDENT-ELECT BUSH'S LEADERSHIP AND MY STEWARDSHIP, IT WILL BE THIS: WE WANT TO GIVE PEOPLE THE ABILITY TO SEIZE NEW JOBS AND OPPORTUNITIES FOR THEMSELVES, TO MAKE DECISIONS ABOUT THEIR OWN LIVES, AND TO SECURE A BETTER LIFE FOR THEIR CHILDREN. WITHOUT ILLUSION ABOUT THE CHALLENGES FACING US AND WITH THE RECOGNITION THAT GOVERNMENT CAN'T SOLVE ALL PROBLEMS, WE WILL DO EVERYTHING IN OUR POWER TO UPHOLD OUR AMERICAN HERITAGE AS ONE NATION UNDER GOD, THAT RESPECTS THE RIGHTS OF OTHERS, SHOWS COMPASSION FOR THOSE IN NEED, AND ADVANCES EQUALITY OF OPPORTUNITY TO ALL.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR RIEGLE FROM JACK KEMP

ISSUE: TAX EXEMPT FINANCING

QUESTION:

Programs you have advocated in the past have built on the idea of partnership as a means to solve the nation's urban problems. Over the last several years, a traditional mechanism for employing such partnerships -- tax exempt bonds -- has been severely limited. With this in mind, please comment on the following:

1. The tax exemption on mortgage revenue bonds (MRBs), which helps low and middle income families purchase a first home, is scheduled to expire on December 31, 1989. Do you favor the extension of the MRB program? Why or Why not?

2. The Tax Reform Act of 1986 lowered the acceptable private use of tax-exempt bond proceeds from 25% to 10%. Many local communities argue that this change has hindered their ability to generate public private partnerships. Do you favor changing the 10% use threshold?

3. Do you favor the relaxation of any other restrictions -- i.e. volume caps, arbitrage rebate -- imposed on tax exempt bond in the Tax Reform Act of 1986?

4. If the Federal government proceeds with the closing of military bases, do you believe that the Federal Government should aid the communities which stand to suffer substantial economic distress. If so, do you believe that tax exempt bonds could serve any role in the economic development of these communities?

A. Senator Riegle, rather than address each element of your question, I would like to reiterate some of the general statements I made at my confirmation hearing.

First, I do support an extension of the mortgage revenue bond program. I believe mortgage revenue bonds hold the potential, at best on a limited basis to provide below market interest rate loans to low- and middle-income homebuyers. Obviously, however, the program should be more effectively targeted to those who would not qualify for loans any other way.

As I stated at the hearing, I believe the tax code can be used effectively to promote desirable social policy goals. With respect to housing and community development, I believe that the tax code can be used to generate homeownership, job creation in inner cities, low income housing and public-private partnerships -- in short, for the promotion of jobs, housing and opportunity.

I would be pleased to meet with you and discuss any specific proposals which would promote community development partnerships. However, as I stated at the hearing, commenting on specific tax code changes at this time might constitute trespassing on the prerogatives of other agencies.

Q. What role do you see for manufactured housing in meeting the need for housing in America?

A. Senator Riegle, I am interested in pursuing all feasible methods of increasing the availability of affordable housing. I intend to look at how the Department might enhance opportunities for using manufactured housing in current subsidy and insurance programs, and I plan to evaluate how the Department's regulatory program for manufactured housing is working.

The manufactured housing industry produces over a quarter million homes a year, and it has the potential to be a viable low-cost alternative to site-built housing.

I would like to think that we should be regulating the industry with the best interests of consumers in mind. We should be looking for ways to reduce regulatory barriers and costs which unnecessarily increase the price of this housing.

It is the responsibility of the industry to produce a product that is affordable, not just in the purchase price, but also when maintenance and energy costs and resale value are added in. But HUD can continue to make loans for the purchase of manufactured homes, and manufactured housing should be integrated to the greatest possible extent into HUD's other housing programs.

Government National Mortgage Association

Q 1. As Secretary of HUD, you will also assume responsibility for the Government National Mortgage Association, which plays a major role in low income housing finance through its guarantee program and other activities in the mortgage backed securities market. In general, what role do you think GNMA should play in the housing finance market?

A. Senator Riegle, GNMA plays a critical role in providing funds for mortgage financing through its function as the outlet for FHA insured and VA guaranteed loans. To this end, I would strongly support keeping GNMA's commitment ceiling at a level high enough to meet expected demand.

GNMA attracts non-traditional sources of mortgage credit -- including pension funds, life insurance companies and individuals -- into the housing market and lower interest rate costs for homebuyers. I would like to see GNMA sustain its current investor base and continue to expand into new markets. I don't think there is any need to make major changes in the operation of a program that appears to work well.

Government National Mortgage Association

Q 2. The outgoing Administration published notice of intent to deregulate the 44 basis point servicing fee earned by institutions that underwrite GNMA securities. Some in the mortgage lending community argue that the deregulation will endanger GNMA in its position as guarantor of mortgages and will disrupt the secondary market in mortgage backed securities, leading to higher housing cost. Given these criticism, do you favor deregulation of the 44 basis point fee?

A. Senator Riegle, as I understand it, the December 6, 1988, Federal Register notice to which you referred specifically asked for comments on the effects of deregulation on mortgage borrowers, lenders, the investment community and GNMA itself. The comment period will not close until February 6.

I will carefully review the comments that are received, and if there is a preponderance of evidence that deregulation would have a deleterious effect on the secondary market or GNMA, then I would not favor deregulation. A commitment one way or the other at this point would be premature, since the opportunity for public comment has not yet closed.

Q 1. What has been learned from existing state enterprise zone programs which can or should be applied to a Federal program?

A. Senator Riegle, the state enterprise zone programs have demonstrated that enterprise zones can be a successful tool for creation of jobs and opportunities in distressed areas. A key element of the experience to date indicates that no single incentive works by itself, but rather a combination of incentives are most likely to produce the results envisioned by enterprise zone designation.

The most successful state programs have three common features which indicate that they should serve as a model for a Federal enterprise zone program. They are:

- strong local and state commitment to the zones;
- significant incentives (both tax and non-tax) such as property, income and sales tax reductions, infrastructure improvements, regulatory relief, zoning, etc.
- a system of competitive designation where the degree of local and state commitment is a critical factor in the selection process.

Q 2. Are you satisfied that Title VII of the '87 Act is achieving the concept you have promoted? If not, what improvements would you recommend?

A. Senator Riegle, Title VII of the Housing and Community development Act of 1987 has not been implemented yet, so I believe it is premature to assess whether or not it has achieved the goals envisioned for a successful enterprise zone program. As I stated at my confirmation hearing, I believe that Title VII is a good beginning, but represents an incomplete program for enterprise zones. To be fully successful, significant tax incentives must be provided.

Q 3. For example, the available direct Federal assistance is limited to CDBG and UDAG monies. UDAG has no funding in the current fiscal year. Would you recommend a supplemental appropriation for this program or an FY '90 appropriation?

A. Senator Riegle, I have not yet had an opportunity to completely review the sources of funding to be used as incentives for enterprise zones and thus am not in a position to inform the Committee of my budget priorities. As I stated at my confirmation hearing, I believe that the UDAG program should be more targeted than it has been in the past and I would use whatever funds are available to promote a successful enterprise zone program.

Q 4. As you know, the Title VII of the '87 Act authorized the creation of 100 enterprise zones, but remained silent on tax incentives for the zones. As Secretary of HUD, do you intend to press for tax incentives for enterprise zones?

A. Senator Riegle, yes, I will vigorously pursue various tax incentives for both labor and capital.

Q 5. Have you had a chance to review HR 6 which would provide tax incentives for enterprise zones? If so, do you support this approach or would you seek changes in the bill?

A. Senator Riegle, I am familiar with HR 6 -- it is very similar to the Kemp-Garcia bill I cosponsored in the 99th Congress. I will be working within the Administration to craft an effective package of incentives to promote job creation and entrepreneurial activity in enterprise zones and will work with Congress on HR 6 and other legislative initiatives.

RESPONSES TO PRE-CONFIRMATION HEARING QUESTIONS OF SENATOR CRANSTON

Public Housing Modernization

Q 1. The Public Housing Program stands as the largest single program providing housing to very-low-income individuals and families. According to the Abt study commissioned by Congress, there is "a significant unmet need for renovation" in many public housing projects. The study estimated that modernization of the existing inventory would cost $21.5 billion.

Despite this critical need for public housing modernization, the Reagan Fiscal 1990 budget recommends cutting the modernization budget by $700 million.

What will you do to ensure that this year's modernization budget is restored to Fiscal 1989 levels?

What steps will you take to establish a long-term policy for the modernization of our public housing inventory?

A. Senator Cranston, my belief is that we fully utilize existing housing stock for meeting low-income housing needs. Therefore, I will vigorously pursue funding for modernization of viable public housing units.

I haven't had the opportunity to study in detail the Abt Study on modernization or the 1990 HUD Budget. Once I have, I will be very interested in working with the Congress and public housing officials in developing a realistic approach to funding modernization activities for public housing. In addition, I am aware of a program, comprehensive grants, created by the Housing and Community Development Act of 1987 which appears to fit well into planning for long-term modernization.

Replacement of Public Housing Units Sold or Demolished

Q 2. Section 121 and 123 of the Housing and Community Development Act of 1987 require public housing authorities to replace public housing units that are demolished or sold on a one-for-one basis. The requests for replacement units contained in President Reagan's Fiscal 1990 budget do not appear to comply with those requirements. In fact, the public housing sale regulations published on November 3, 1988 state that "in meeting this replacement housing requirement, it should be noted that, at best, very limited funds are likely to be available for acquisition or development of public housing." How do you propose to carry out the requirements of the 1987 Act with regard to sale or demolition plans that have already been approved and plans that are pending?

A. Senator Cranston, I need time to review both the 1990 HUD Budget and the rules regulating the sale or demolition of public housing. I must also review the applications for the sale or demolition of public housing before I can comment on your question.

Q 3. **There has been some dispute over whether owners of mobile home parks can unilaterally transform their parks into senior communities under the senior community exemption in the Fair Housing Act. Is it your view that owners of mobile homes should have a voice in the decision over whether the parks in which they live become senior communities? What is your interpretation of the power of the Secretary under the Fair Housing Act to determine the conditions under which these decisions are made?**

A. It is my understanding that the law only defines what constitutes housing for older persons and there is no provision which enables residents to determine whether such a definition should or should not apply to their community.

The Secretary of HUD, as I understand the law, is responsible for determining whether such a property does meet the statutory definition, but is given no responsibility for determining after finding that it does meet the statutory definition, whether or not the community should be elderly only.

Q 4. Q.The 1988 Fair Housing Amendments Act requires that all new multifamily housing covered by the Act must be structurally accessible to tenants with physical impairments. This requirement supercedes Section 504 regulations, which require that only a small percentage of units be made accessible. What steps will the Department take to make the regulations consistent with the Fair Housing Act on this issue, and when will it take them?

What steps will HUD take to publicize the requirements of the Fair Housing Amendments Act to housing providers, housing financiers, the real estate industry, and consumers?

A. Senator Cranston, it is my understanding that the final regulations on the Fair Housing Act were just published and will take effect in March. I am uncertain as to how those regulations affect other programs but I'm sure we can move quickly to make the appropriate modifications to them.

As far as publicizing the requirements of the law, I am very interested in seeing that all those affected by it are fully informed of its requirements. I understand that briefings and outreach seminars with Congressional representatives and other constituents have already begun.

I support those initiatives and will ensure that they are completed quickly and fully, while reserving to all affected constituencies the opportunity to inquire of HUD independently.

Q 5. Several law suits claim that HUD should make more foreclosed homes available to homeless or other low-income families. Some claim that HUD's own disposition guidelines in effect prior to 1981 dealt with this process more adequately than current policy. Are there aspects of the previous regulations that should be reinstated? What additional refinements to the disposition guidelines should be made?

A. Senator Cranston, the sale of FHA foreclosed properties must continue in order to maintain the solvency of the fund. If there are means by which that can be accomplished to produce a greater return on the claim paid, I am interested in reviewing them. If there are means or ideas which make better use of some of those homes, without compromise to the Fund, I want to pursue those, as well. One such program was referred to during my confirmation hearing by Senator Wirth which combines a below market sale of FHA homes with Section 8 rental subsidies. I understand a program recently begun in Texas utilized Mortgage Revenue Bonds to make the FHA homes affordable to lower-income buyers.

So, to answer your question, I am sure there are a variety of ways in which we can conduct an effective and efficient sales program.

Property Disposition

Q 6. Section 181 of the Housing and Community Development Act of 1987 contained significant amendments affecting the disposition of formerly FHA-insured multifamily rental projects. The Act requires HUD to ensure that disposed projects are affordable to very-low income tenants for a period of at least fifteen years, primarily through the use of 15-year project-based, property disposition certificates. President Reagan's budget requests only 500 certificates, far fewer than are required to meet previous HUD estimates of the need for such assistance. What are HUD's revised estimates of how many troubled projects will be sold at foreclosure or sale during fiscal year 1990? How does HUD envision carrying out the requirements of the 1987 Act?

A. Senator Cranston, I cannot comment on the details of the Reagan 1990 budget proposal. As to whether the 500 certificates are enough to cover the sale of HUD properties next year, I will ask that an assessment of anticipated sales activity be made.

In addition, I will review the 1987 Act together with the 1990 HUD Budget to see what changes can and should be made, and to ensure proper compliance with the law.

Q 7. It is estimated that over 280,000 units developed under the 221(d)(3) and 236 programs could be lost in the coming years through default. One of the primary causes for this loss would be the expiration of loan management assistance and other project based rental subsidies. The Reagan Administration consistently recommended replacing these project-based subsidies -- which help avoid default -- with tenant-based vouchers. Most observers believe that such a policy is a sure-fire recipe for massive defaults and high costs to the Federal government.

What is your position on this issue?

A. Senator Cranston, as I testified during my hearing, I do not support any initiatives or programs which threaten the provision of assistance to any family currently receiving it. I also said in response to a question about how best to preserve existing housing stock that a variety of approaches could be taken including vouchers, Section 8 "project based" subsidies, rehabilitation and tax incentives. I'm not familiar with the Reagan budget proposals, but my discussions with OMB Director Darman and others regarding the Bush budget proposals will reflect these ideas I've described.

Vouchers and the Expiration of Rental Subsidies

Q 8. The Reagan Administration rarely pointed out that vouchers require lower levels of budget authority primarily because vouchers provide assistance for only 5-years rather than 15-years or longer.

The shift to vouchers creates a major problem for the Department. In 1991, when the first Ford Administration certificates expire, so will the first wave of Reagan Administration vouchers. Almost one million vouchers and certificates are due to expire over the next five years.

The last Administration said its policy was to replace all expiring certificates and vouchers. Will that be your policy as well?

Since replacing the expiring contracts will require large, erratic swings in budget authority from year to year how do you propose to avoid losing ground in low-income rental assistance?

Do you agree with the recommendation made by the Rouse-Maxwell Task Force that the number of incremental units of tenant-based rental assistance be increased to 200,000 per fiscal year?

A. Senator Cranston, it is my intent to renew all expiring Section 8 contracts. I am familiar with the commitment made by the Reagan Administration to renew Section 8 Certificate contracts with Vouchers. I am also aware of the magnitude of these refundings, noting for example that the number of contracts expiring and the budget authority to refund them jump in 1991 by more than 12-fold from the 1990 level. It is my understanding, however, that these refundings if adjusted for inflation, will produce no increase in outlays above our current base. Consequently, I don't see that "erratic swings" in budget authority will have any impact on the

Q 9. Housing must be more than bricks and mortar if it is to be adequate for those with special needs -- primarily the elderly, the handicapped, the homeless and low-income families with children. Housing for those with special needs must involve a package of supportive services.

For example, frail elderly people often need health care, meal services, homemaking, and other services to enable them to age in place with independence and dignity.

The past Administration vehemently opposed any linkage between housing and services. They tried repeatedly to eliminate even the small Congregate Services program -- which provides about $7 million annually.

How do you see the importance of supportive housing for those with special needs?

Do you believe that special needs housing or "supportive housing" deserves more focussed attention with the Department?

Senator Cranston, I do appreciate the special needs of many individuals who seek shelter through Federal programs. I've acknowledged that basic shelter is not the complete answer to some of our most intractable problems, including homelessness. The "supportive housing" concept will have my full attention as Secretary.

Q 10. A number of newspapers have exposed the redlining practices of lending institutions in urban centers and rural communities. How will your efforts to "greenline" American cities and rural communities involve lending institutions? What efforts will you make to strengthen the Community Reinvestment Act?

A. Senator Cranston, as I testified during my confirmation hearings, not only am I opposed to redlining I am for "greenlining" America's cities and rural communities. Some ways to accomplish this are to provide incentives for job creation through enterprise zones and urban homesteading resident management housing. We need to do much more to support and encourage public/private partnerships and to involve local owners, businesses and community leaders in the effort to remove "redlines" and make our cities centers for jobs, opportunities, investment and affordable houses.

RESPONSES TO PRE-CONFIRMATION HEARING QUESTIONS OF SENATOR DODD

Q 1. I strongly support, as I know you do, the continuation of the home mortgage interest deduction. Its preservation is critical to the ability of millions of Americans to purchase homes -- with the obvious effect that such purchases have on the homebuilding industry and the overall health of the economy.

In FY 1988, the Senate Budget Committee estimates that the tax expenditure for the deductibility of interest on debt secured by personal residences was over $30 billion dollars. A February 1987 report of the Ways and Means and Finance Committees states that the home mortgage interest deduction overwhelmingly benefits those Americans in the upper income brackets, particularly those in the $50-$75 thousand per year range.

Concurrently, in FY 1988, the federal government spent $250 million on programs to aid homeless Americans who number upwards of three million.

Our new President has spoken quite eloquently of "a kinder, gentler nation".

Bearing in mind the cost comparisons of the home mortgage interest deduction and federal expenditures on the homeless, is the President's admirable vision for our nation inconsistent with the reality of the priority set by our government? An while at HUD, how do propose to help reconcile the vision with the reality?

A. The Department of HUD has a broad mandate to help create the conditions for every American to have decent and affordable housing. I see promoting homeownership as an integral part of this mandate, and I strongly support, as you do, incentives such as the mortgage interest deduction as well as other initiatives to help families, especially at the lower income levels, afford homes.

President Bush and I support fully funding the McKinney Act, and will consider additional areas where further assistance can be made available to attack the causes of homelessness and help provide not only basic shelter, but also pave the way to jobs, training, permanent housing, health care, and human dignity. We need to work together to provide a complete and effective safety net to public and private efforts to help end the national tragedy of appalling proportions.

Q 2. When we chatted in my office a couple of weeks ago, we touched upon the need to better coordinate housing policy with both tax and welfare policies.

Do you have any assurances from President Bush that housing issues will be effectively represented in the development of tax and welfare policies?

A. As I stated in my testimony, Senator Dodd, I believe we have to coordinate all facets of our domestic policy to ensure we in the government aren't working at cross purposes. In particular, I believe we must reexamine tax policy to determine whether we can more effectively provide greater incentives for investment in low-income housing.
I believe we can use tax policy to promote and achieve social goals.

President Bush has made clear he wants me to be part of the domestic and economic policy process at the White House and I intend to take full advantage of that opportunity to pursue a national housing policy that reflects our goals of decent and affordable housing.

Q 3. I don't think there is much disagreement about the fact that in the last eight years, states and localities have filled a dramatic federal void, and have led the charge -- in terms of money, expertise and innovation -- in the development of housing policies across the nation.

Last Congress, Al D'Amato and I introduced a bill -- the Housing Grant Action Program (GAP) Act -- which emphasizes local and state expertise and flexibility in the development of housing policy while unequivocally reasserting an intensive federal commitment in the development of housing policy.

What is your opinion about the capacity of state and local governments to work with the federal government in the development of national housing policy?

A. Senator Dodd, I'm very encouraged by the discussions I've had recently with state and local officials. So many are offering a variety of ideas which borrow only slightly from the Federal government and rely extensively on local, entrepreneurial initiative.

That's not to say that mayors and governors wish to minimize the Federal government's contribution to solving their urban problems. Most, for example have expressed desires (and demands) for Federal funding and Federal help with cutting red tape and clearing the way for more effective use of resources.

However, I am definitely impressed that local communities, having a much better notion as to what does and doesn't work, want to take the lead on designing and enacting solutions.

And they have well begun to embark on their own.

For example:

- In a growing number of cities, nonprofit developers are providing the answer to some of the housing needs for the low and moderate income people.
- In Boston, Inquilinos Boricuas en Accion has built or rehabilitated over 800 units for low-income families.
- In Washington, D.C. Jubilee Housing has renovated 350 low-income apartments and has established a comprehensive support system of health care, job placement and transitional housing to help the very poor reach self-sufficiency.
- The Greater Miami Neighborhood is providing development services to six constituent neighborhood and city-wide low-income housing groups. Since 1985, GMN has raised over $1.5 million from local government and the business community for loans, grants and operating expenses producing initial commitments for 266 units.

- Neighborhood Housing Services of Chicago serves nine neighborhood housing over 220,000 people. It has directly managed $44 million in rehabilitating 8,181 units and originated loans totally $9.5 million to more than 1,800 families.

Another initiative I'm aware of was developed by the Colorado Housing Finance Agency (CHFA) and vigorously supported by Senator Wirth which utilizes both the FHA and the Section 8 programs, as well as local incentives. As I understand it, CHFA (pronounced CHAFFA) will finance acquisition for various shelter providers around the state foreclosed-upon FHA homes. PHAs will then provide project-based Section 8 certificates to enable low-income families to rent and, in some cases buy the homes. I understand funding (150 Section 8 certificates) was recently approved for this program and that CHFA may begin to bargain with the Denver field office on the sale of the FHA homes.

Q 4. In 1987, the Congress passed, and the President signed, legislation prohibiting the imposition of user fees on Fannie Mae and Freddie Mac. Yet, the 1990 Reagan budget proposes such fees.

Does the Bush Administration plan to support this proposal for a broad based tax on American homebuyers and renters?

A. Senator Dodd, I made it very clear in my testimony that I consider these user fees taxes. I supported the action taken by the 100th Congress to prohibit the imposition of FNMA and FHLMC fees, and while I haven't changed my mind I need to consult with other Administration officials.

RESPONSES TO PRE-CONFIRMATION HEARING QUESTIONS OF SENATOR SHELBY

Q 1. You have offered proposals that would permit tenant ownership of public housing units, with no down payment. It has been the experience of the FHA, private mortgage insurers, and mortgage originators that the higher the down payment, and thus the greater the equity, the less likely the borrower is to default. Since the goal of tenant ownership is not only to provide to low-income people a home and a financial asset, but also to foster stability, would it not be better to require a small down payment, perhaps $2000-$4000, to serve as an additional incentive for residents to take pride in their community?

A. Senator Shelby, I agree that it is important that the tenants make a down payment when they are purchasing their public housing units. I believe a small down payment will serve as an additional incentive for the residents to take stronger interest in their neighborhoods. However, we must be aware that many of the families do not have the financial resources to make a down payment, but have good rent payment and other credit histories. It is not my wish to force families into purchasing their homes. But for those who want to, I'd like for them to get an opportunity. So we must look at each individual case, before determining when or when not a small down payment is required.

Q 2. Given today's deficit-constrained budget, what tax incentives would you recommend to foster the growth of the stock of affordable housing?

A. Senator Shelby, before I recommend what if any tax incentives should be used to help foster the growth of the stock of affordable housing, I need to review the entire federal budget and meet with officials at Treasury and the O.M.B. I also would like to look at available resources in the private sector that could be used to help foster growth of affordable housing for low-income families.

But, as I stated during my confirmation hearing, the tax code can be used effectively to achieve social goals. So I will definitely be looking into tax policy and working with Congress to see whether current incentives, such as the low-income housing tax credit, are working effectively, or whether other programs might be developed.

Q 3. Service and support industries often encounter difficulty in attracting lower wage employees in communities with soaring housing costs. In what ways can business work with government to make affordable housing available?

A. Senator Shelby, I believe business has, on an individual basis, been helping to defer the housing expenses of its employees in high cost areas. Business can also work to use its influence to help bring housing costs down through support for changes in local regulations that affect building costs, zoning and other factors that contribute to high housing costs.

I look forward to learning more about HUD's Joint Venture for Affordable Housing, which simply brings builders, bankers and local government together to work out a plan for easing building restrictions and providing below market financing to produce lower-cost single-family homes.

HUD estimates the reduced costs on these homes average 14 percent, or about $11,000 per unit. Approximately 15,300 families have benefited from this program at about 232 sites nationwide. HUD expects to have about 200 more sites approved this year and to expand the program to multifamily housing.

Q 4. In your opinion, which current HUD programs have outlived their usefulness? What would you replace these programs with?

A. Senator Shelby, until I have had an opportunity to thoroughly review all the numerous HUD programs and meet with HUD officials, I really do not want to comment on which program should be maintained, and which ones should be replaced. However, those which currently exist and any new ones we might develop, will conform to the approach I plan to take in meeting the Nation's needs for affordable housing and job creation in distressed areas.

I will be fully committed to programs like Enterprise Zones, resident management and ownership of public housing and the full funding of the McKinney Act.

Q 5. What short term proposals would you offer to address the homeless problems?

A. Senator Shelby, as I testified in my confirmation hearing, I do support full funding of the McKinney Act. But while the Act's programs may help us provide basic shelter, they may not be sufficient or appropriate for solving the most causes of homelessness. Affordable Housing is one component of the problem. Critical services, such as health care and mental rehabilitation, are also needed. Many homeless are victims of domestic violence and need social and legal counseling. Some homeless simply need job opportunities or just training for jobs.

The complexity of homelessness argues for a thoughtful, comprehensive approach to solving the problem permanently. That's why, when I said I supported full funding of McKinney, I added that I want to work with public/private partnerships to provide not only basic shelter, but also pave the way to jobs, job training, permanent housing, health care and human dignity. As Secretary of HUD, I won't just "comply" with McKinney, I'll implement it with vigor.

Q 6. I am interested in sponsoring legislation to make grants available to housing authorities to sponsor literacy programs. What suggestions would you offer?

A. Senator Shelby, I believe this is a good idea. First, however, I would like to look at what services private businesses, local educational institutions and nonprofit organizations would be willing to provide to help end illiteracy in public housing. Local organizations should make ending illiteracy in their communities a priority. In addition, I believe it might perhaps be something with which the Department of Education might become involved and I will discuss it with Secretary Cavazos.

RESPONSES TO PRE-CONFIRMATION HEARING QUESTIONS OF SENATOR GRAHAM

Q 1. Jacksonville recently submitted an application for the demolition and reconstruction of Blodgett Homes. It has gone through Jacksonville HUD's regional office and is at HUD central, Mr. Jim Baugh's office is familiar with the proposal.

The proposal provides for replacement housing on a 1 to 1 basis, the construction of a new State Regional Service Center and office complex and a public private partnership effort in relocation housing. The proposal has the support of tenants, the City Council, and the community. Tenant management and homeownership are included in the proposal.

I am very supportive of this proposal, and feel it will change in a very positive manner. Will the Secretary-Designate support this proposal?

A. Senator Graham, I would be pleased to look into the proposal to demolish and reconstruct Blodgett homes as soon as possible, following my confirmation.

Q 2. Part of the problem of homelessness is that a range of problems face these individuals or families at the same time -- housing being only one. Others include education and literary training, job training and job placement, health and mental health, and child care.

One of the provisions which the Senate failed to win in conference when the McKinney Act was reauthorized provided incentives to enhance state efforts in the multi-agency coordination needed to improve services for the homeless. Would you help get the support of the Bush Administration to adopt language to strengthen the states' efforts at coordination?

A. Senator Graham, I am not familiar with the provision to which you refer. I am, however, aware of the basic responsibilities of the Interagency Council on the Homeless, which was initially authorized in the McKinney Act of 1987. Among those is the responsibility to coordinate activities of states and localities.

As HUD Secretary and Chairman of the Interagency Council, I will ensure that a maximum of coordination with state and local governments is exercised.

Q 3. States have established Enterprise Zones following your original efforts on the program here in Washington. As you can imagine there is a great deal of diversity in these programs, since they are based upon the programs, regulations and tax structures of the various states and localities. My question is will the Department of Housing and Urban Development under your direction provide a significant incentive for Federal Enterprise Zone applications which are cooperatively or jointly supported by a state and a locality?

A. Senator Graham, as you know, the application process for the '87 Act Enterprise Zone program is nearly complete. In my review of those applications, I will take into consideration those elements for selection required by law. However, I will be working to create an enterprise zone program that provides tax incentives to encourage job creation and entrepreneurial activity in our most distressed urban and rural areas. State and local actions and support will be crucial to the success of this program.

Q 4. There has been a suggestion that fully funding the McKinney Homeless Assistance Act would be the most that the Federal government can do to alleviate the severe problem of homelessness. But it's my belief that additional steps are needed, since the McKinney Act only addresses the short-term housing needs of the homeless, and doesn't adequately address permanent housing for the homeless.

What steps would you take to address the permanent housing needs of the homeless?

(Follow-up if affordable housing programs aren't emphasized:

Do you believe that an expansion of the existing affordable housing programs would help alleviate the permanent housing needs of the homeless?)

A. Senator Graham, as I testified in my confirmation hearing, I do support full funding of the McKinney Act. But, as you point out in your question, while the Act's programs may help us provide basic shelter for the homeless, they may not be sufficient or appropriate for solving the causes of homelessness. Affordable housing is one component of the problem. Critical services, such as health care and mental rehabilitation, are also needed. Many homeless are victims of domestic violence and need social and legal counseling. Some homeless simply needs job opportunities and training for jobs.

The complexity of this issue argues for a thoughtful, comprehensive approach to solving the problem permanently. That's why, when I said I supported full funding of McKinney, I added that I will want to emphasize long term solutions to repair the holes in the safety net and form public private partnerships to provide not only basic shelter, but also pave the way to jobs, job training, permanent housing, health care and human dignity.

In addition, there may be direct linkages between housing affordability and homelessness as well as linkages between government regulations and programs and affordable housing. We must answer those questions before we can permanently solve this problem.

Finally, let me reiterate my thoughts about economic development by referring to my visit to Overtown in Miami. In my discussions with community leaders and other residents of Overtown, I sensed a very simple appeal: "Help us help ourselves." And the way I see us doing that for them is:

- encouraging the Kimi Grays among them -- because they're there -- to motivate their neighbors and take control of their neighborhoods;

- to listen when they say: "Mr. Secretary, please, no more high-rise public housing.";

- to provide incentives for job creation and hiring of residents of distressed inner cities;

- to unleash the entrepreneurial spirit which exists untested in those communities; and

- by bringing into those distressed neighborhoods the economic incentives which stimulate small and large business formation and cultivate that previous enthusiasm which comes with opportunity.

RESPONSES TO PRE-CONFIRMATION HEARING QUESTIONS OF SENATOR KERRY

Housing Production

Q 1. I believe that there is a need for the federal government to recommit itself to stimulating the production of decent and affordable housing. While demand side subsidies (such as section 8 certificates and vouchers) are necessary and should be maintained by the federal government, there is also a need in many areas throughout the country to increase the production of additional housing units. What is your view of the federal government's role in housing production, particularly for low and moderate income persons and would you make the creation of a production program that can work in partnership with state and local governments a priority for your administration?

A. Senator Kerry, Housing Vouchers should certainly be a central part of housing assistance for the poor, because they enable more families to be housed for the same level of spending, as construction programs and because they give low income families the power and dignity to decide where they wish to live. We can also add to the stock for populations with special needs like the elderly and handicapped.

However, private rental housing is not uniformly available in all locations both in standard condition and in sizes needed by all types of households. There are resources available from Federal, State, and local governments to fill these gaps and it may be that these resources could be made more flexible so that they can be tailored to real, locally indentified needs.

I am also aware of some local housing markets that are tight for all types of housing. It is for these markets that means to develop new housing or rehabilitate uninhabitable stock must be purused. In our determination of what those means should be, we will consider many ideas. I look foward to working with you and other members of the Committee on the development of those ideas.

Expiring use restrictions

Q 2. As you know, the federal government faces an enormous challenge ahead regarding housing that was funded through old HUD programs where use restrictions are scheduled to expire within the next several years. Are you willing to provide the incentives and tools necessary to ensure a permanent solution to this problem?

A. Senator Kerry, as I stated in my testimony I am concerned about maintaining an adequate supply of low-income housing. As to what permanent action might be taken, I'm sure coming up with that solution will require a great deal consultation with the Congress, with the residents of this housing, with local government, and with the professional housing industry. But, I believe, to accomplish the goal of maintaining an adequate supply we should utilize as many tools as possible, such as vouchers, rehabilitation programs and tax incentives as well as considering what new approaches might be taken.

Q 3. As you know, the Supreme Court recently overturned the city of Richmond's minority set-aside program. As a result of this decision, we could see a significant decrease in state and local programs which, through priority treatment, serve to stimulate minority business development, and, in turn, we could see a loss of billions of dollars to minority businesses.

I know from our conversations that you are a strong supporter (originator) of the enterprise zone concept and a believer in revitalizing our distressed urban areas. I believe you said during your remarks at your nomination by Vice President Bush: "I have the audacious faith that together we can help recapture the American dream for our distressed inner cities". Mr. Kemp, clearly your vision includes a strong and expanding minority entrepreneurial sector.

What effect do you think the Court's decision will have on our ability to accomplish this goal of revitalizing cities with all Americans fully participating in and benefitting from this effort?

Have your given any thought as to how we can effectively ensure that the effects of the decision do not translate into a decrease in minority entrepreneurship, and the related service and skill development that this entrepreneurship brings?

A. Senator Kerry, as I stated during my confirmation hearing, I am fully committed to affirmative efforts to create jobs and advance equality and opportunity for all people and particularly those in our distressed inner cities. I have long advocated "affirmative actions" to assist and expand minority businesses and job opportunities, although I do not support quotas or rigid goals and timetables that lead to reverse discrimination.

Section 8 Contracts

Q 4. In addition to expiring use properties, there are some 927,528 units of housing that have section 8 contracts that will run out between now and 1994. Are you willing to work with Congress to address this issue and to ensure that tenants living in these properties are protected?

A. Senator Kerry, I am familiar with the expiring contract issue and I understand that HUD is currently developing a system that will ensure that all the tenants currently being assisted will continue to receive assistance as long as they qualify for it. I will be willing to work with the Congress to ensure that this problem is solved in a satisfactory way.

Nehemiah Housing Program

Q 5. Last year, Congress voted to establish the Nehemiah Housing Opportunity Grants Program, to assist low-income, first-time homebuyers. President Reagan, in his recent FY 1990 budget, proposed to rescind all FY 89 funds ($20 million) and to terminate the program. What are your intentions with respect to the Nehemiah Program?

A. Senator Kerry, as I testified during my confirmation hearing, I generally support the initiative. I know well of the Nehemiah concept developed by East Brooklyn Churches, Inc. and its success. I understand more than 200 Nehemiah homes have been purchased and several more are soon to be available. As to the proposed recission, I would prefer to review the entire 1990 HUD Budget proposal before committing on any changes I might recommend be made to it. But as I stated in my testimony, I will convey to Mr. Darman at the OMB and others involved in developing the 1990 Budget my enthusiam for the program and the support it has in Congress.

Q 6. Do you support the continuation of the Federal Low Income Tax credit (LITC) as a resource for expanding low-income rental housing? Are there other changes in the tax code that you would advocate to stimulate private sector involvement in housing production?

A. Senator Kerry, as I stated in my testimony, I strongly support the low-income housing tax credit. I'm interested in reviewing the report done by the Mitchell-Danforth Task Force to determine how well it is working and what improvements it may need. I am also interested in studying various bills introduced in the House which propose making changes to the tax code to stimulate production and facilitate acquisition of multifamily housing.

As I stated in my testimony, Senator, I believe the tax code can and should be used to promote desirable social goals. You know as I do both the Administration and the Congress will have to sort out its spending (and tax policy) priorities for the next several years. But, I think I've made clear what my priorities are and what means I believe should be pursued to implement them.

RESPONSES TO PRE-CONFIRMATION HEARING QUESTIONS OF SENATOR KENNEDY

Q 1. The passage of the Fair Housing Amendments Act of 1988 reflects a broad, bipartisan commitment in the Congress for an all-out effort to end housing discrimination in America. The Act gives significant new enforcement powers and responsibilities to the Department of Housing and Urban Development (HUD). Will you give the Congress your personal commitment to make vigorous enforcement of the fair housing laws one of your highest priorities and to devote all necessary resources to those enforcement efforts.

A. Senator Kennedy, as I said in my confirmation hearings, it will be my privilege and obligation to vigorously enforce the Fair Housing Amendments Act of 1988, not only because of my responsibilities under the law as Secretary of HUD, but from my deeply held belief in equal justice and equality of opportunity for all Americans as well. Equality of opportunity requires freedom from discrimination, and on behalf of President Bush, I pledge full enforcement with whatever resources are necessary.

Q 2. The new fair housing statute gives the HUD Secretary considerable enforcement authority, authority which the Department's new implementing regulations divides between the Assistant Secretary for Fair Housing and Equal Opportunity and the General Counsel of the Department. Will you assure us that in filling these two important positions, you will recommend to the President persons who in their professional careers have demonstrated a commitment to securing equal justice under law for all Americans?

A. Senator Kennedy, I will commit to you as I did to the Members of the Senate Banking Committee during my testimony Friday, January 27, that both the General Counsel and Assistant Secretary for Fair Housing and Equal Opportunity positions will be filled by individuals of integrity who are committed to the full and vigorous enforcement of this major civil rights law.

Q 3. I am concerned that the manner in which the Department's fair housing regulations divides enforcement responsibility between these two officials may interfere with efficient, expeditious resolution of fair housing cases. Will you look into this question with an eye toward determining whether enforcement authority should be consolidated in the Office of the Assistant Secretary for Fair Housing and Equal Opportunity and let the Committee and myself know the results of your inquiry.

A. Senator Kennedy, as you might guess, I am unfamiliar with the enforcement division of authority situation you describe. However, as I have stated, I take my responsibilities to enforce the Fair Housing Act very seriously. I will attempt to determine the most sensible and effective organizational construct to carry out those responsibilities and advise you accordingly.

RESPONSES TO PRE-CONFIRMATION HEARING QUESTIONS OF SENATOR BAUCUS

Q 1. Section 1029 of the Stewart B. McKinney Homeless Assistance Amendments Act of 1988 contained language explicitly overturning an Office of Management and Budget policy giving first priority for Section 8 Loan Management Assistance (LMSA) to projects technically deemed "subsidized". The language of the new law states that eligibility for LMSA assistance must be determined without regard to whether the project is subsidized or unsubsidized.

However, since the passage of this important legislation, HUD has been slow to issue new regulations governing the distribution of LMSA funds. As a result of this delay, three projects in Montana -- and, probably, many projects in other states -- are on the verge of default.

How much longer do you think it will take before HUD issues new regulations or otherwise implements the changes made by the McKinney Homeless Amendments Act of 1988?

A. Senator Baucus, I have not had the opportunity to review many of the important regulations that are pending at HUD. I am pleased that you consider this one on Section 8 Loan Management Assistance an important one. After I am sworn in as the Secretary, I will investigate the status of this issue.

RESPONSES TO PRE-CONFIRMATION HEARING QUESTIONS OF SENATOR LAUTENBERG

Q 1. Do you agree that drug-related crime is a serious problem in public housing projects around the country?

Q 2. During the campaign, President Bush promised to fight drug-related crime in public housing. Do you believe this deserves to be a top priority for the Department?

Q 3. The Public Housing Drug Elimination Act of 1988 establishes a competitive grant program under which tenants and public housing authorities would develop innovative approaches to fighting drug related crime in public housing projects. Would you be willing to make the full funding of this program at $50 million annually a top priority?

A. Senator Lautenberg, to answer your first three questions, #1, # 2, and #3, I do agree that drug related crime is a critical problem not only in our public housing projects, but in our schools, our public parks and in the streets of our cities. We must take intensified and extraordinary steps at all levels of government, in our schools and churches and in our homes to fight the plague of drugs.

President Bush has made fighting drugs a top priority of his Administration and I'm confident that with the help of his Attorney General, Richard Thornburg, and Drug Czar William Bennett, he will be successful in winning the war.

Inner city public housing projects seem to cultivate drug-dealing and crime and we must take strong action to eliminate the activity and prevent its recurrence. I am heartened to learn about such initiatives as that begun by Vince Lane, the Executive Director of the Chicago Housing Authority, to rid projects of drug dealers. Lane is getting tough with project managers and firing those who have done nothing to prevent and who have even allowed the selling of illegal drugs on their properties.

While we must encourage and support such activities, we must do more. I do support the Public Housing Drug Elimination Act of 1988. With regard to its funding level, my understanding is that it was authorized in 1989 for $8.2 million, and for "such sums as may be necessary" in 1990. Before giving you a commitment on what I believe the appropriate funding level should be in 1990, I would like to review it in the context of the entire HUD budget.

Q 4. According to an April 1988 General Accounting Office Report, HUD doesn't have a policy to address radon contamination in Federal housing. Do you believe HUD has an important role to play in addressing radon in Federal housing and contributing to the overall Federal radon effort?

A. Senator Lautenberg. The 1949 Housing Act sets forth the goal of a "decent home and suitable environment" for all Americans, thus it would appear that HUD has at least some authority for establishing environmental standards which promote that goal. And, given recent reports about the effects of radon, this is not a problem HUD can ignore.

I am aware that Congress has recently imposed a number of statutory requirements on the Department concerning radon. These include your amendment to the McKinney Act requiring that HUD develop and submit to Congress a radon contamination program which provides programs for education, research, testing and mitigation measures; the indoor radon abatement bill of the last Congress which requires a study of radon in Federal buildings; and the Superfund law, which requires joint EPA/HUD research efforts on radon.

HUD has an obligation to meet our statutory requirements, but I think it should be stressed that the establishment of scientific standards and scientific research are not HUD's responsibility. Further, effective radon mitigation efforts will require the full cooperation of all affected Federal agencies, state and local governments, and the private sector. Of course, the level of any Federal response is going to be dictated by the amount of resources which are available.

After my confirmation, I will review the status of HUD's radon program efforts, and I pledge the Department's cooperation in meeting its obligations as a partner in coordinated radon abatement efforts.

Q 5. Last year, the Congress included the HUD Radon Policy Act, which I introduced, as part of the McKinney Homeless Bill. What is HUD doing to develop a radon policy and to establish an agreement with EPA on radon responsibilities as required by my legislation?

A. Senator Lautenberg, there are, of course, many ongoing HUD programs that I will need to review fully after I am confirmed, and this is one of them. It is my understanding, however, that HUD has functioning working and policy groups that are charged with implementing the requirements of the Act. I understand further that HUD has transmitted a draft memorandum of understanding to the EPA, as the law requires.

It is certainly my intention to ensure that HUD fulfills its responsibilities under the Act, within the limits of its resources.

Q 6. Are you willing to increase the priority that the Department gives to radon?

A. Senator Lautenberg, I will early on assess completely the current priorities of the Department. Certainly, the health of the people who live in HUD-owned, assisted or insured housing will be a concern of mine.

Testimony

submitted to

The Senate Banking, Housing & Urban Affairs Committee

by

The Reverend Maurice A. Dawkins

for

The Confirmation Hearings

of

Honorable Jack Kemp

Nominated

for

Secreatary of Housing and Urban Development

January 27, 1989

Mr. Chairman:

My name is Maurice Dawkins. I am a clergyman retired and named Minister Emeritus of a Non-Denominational Independent Congregation in Los Angeles, California.

I left Los Angeles in December of 1964 to join Sargent Shriver in organizing anti-poverty programs authorized by the Economic Opportunities Act of 1964. Through the years of the Johnson Administration I witnessed the ill-fated policies and programs as they initiated a revolution of rising expectations among the poor of all races, creeds and national origin.

Now, some 24 years later, almost a quarter of a century later, we can admit the failures and give thanks for the lessons learned and the services delivered in spite of flawed policies. We can acknowledge that the poor are still with us. The Hungry and the Homeless are realities that we must still face. The poverty-related social problems are rapidly reaching crisis proportions.

At the same time we are grateful that in the last eight years a growing economy has made possible lower unemployment rates, lower taxes and created more jobs and more business opportunities. We see these eight years as building a foundation on which a new all out attack on poverty homelessness and hunger can be launched

One of the major shortcomings of the past eight years was the failure to keep the truly needy from falling through the holes in the safety net. The prosperity in the Nation and the rising economic tide could not lift the boats of people who had no boats in the first place.

Not enough attention was paid to the Federal Government's responsibility to provide leadership for state and local government to give special consideration to the poor and disadvantaged.

The will to concentrate on providing help for the helpless, homes for the homeless and hope for the hopeless was not there at the policy-making level.

As a Nation we did not go into the boat-building business so that those who had no boats could have a chance to share in the benefits of the rising economic tide.

The rural poor need a chance to stay in rural America and see growing economic opportunities and rural revitalization and economic development provide a future for their children.

Americans in Urban America -- especially in the inner cities need to see self-help principles and public-private partnerships in operation -- they need to see Government for the people practiced by a government system designed to create new opportunities for citizens to help themselves solve their own problems. They need to know that sensitive government officials are working hard to implement sensitive public policies -- put in place by a sensitive White House and a sensitive Congress -- concentrating cooperatively on a Bi-Partism Basis. They need to see urban development and job creation putting money in the pockets of those who work and providing work for any person who is able to work. They need to see the working poor with a chance to make their way out of poverty as much as the non-working poor. They need to see a chance to get off of the welfare rolls and on to the payrolls -- they need a chance to become tax payers instead of tax burdens.

This is why I come to testify before this Committee and enthusiastically urge the confirmation of Congressman Jack Kemp to serve as Secretary of Housing and Urban Development.

Mr. Kemp had demonstrated his total commitment to finishing the unfinished business of democracy. His total involvement as a legislator and a leader in the Minority party has gained tremendous respect from his colleagues in the Majority Party.

His role as a Builder of Bi-Partisan cooperation has been outstanding His co-sponsorhip of Bills for homesteading and job training and enterprise zones with Black and Hispanic Congressmen has been like a light shinning in the darkness.

He has been a scout in front of the wagon train as America's policy makers cross new frontiers of economic justice and equality to make real the American dream for those Americans who have been left out or pushed out or have dropped out of our free enterprise system.

The excitement and enthusiasm that has been generated among those who work in the housing and urban development arena by his nomination is the result of faith in his leadership that has been earned the old fashioned way.

He says what he means and he means what he says. As a ex-football player, he knows that team-work works. Those of us who have been priveleged to work with him through the years can testify to that fact. We see him as a team player with the President and the Congress. We see him as a "pro" in the business of catalytic agentry -- a consummate political operative in the business of creative compromise -- an imaginative and flexible pragmatic idealist -- seizing a historic opportunity.

Mr. Chairman, I sincerely believe that such a man came into this position for such a time as this. He will be the right man in the right place at the right time. Total commitment, total involvement and total fulfillment seems to be self evident in his personal history. He seems to be ideal to help implement President Bush's plans to make America a kinder, gentler Nation and to promote throughout our land a unity that will permit diversity and a generosity of spirit that will stimulate a positive response from all Americans.

As an ex-poverty warrior I do not see the need for putting the label "Liberal" on this man's approach to solving the problems of the poor and disadvantaged. His desire to create a level playing field on which every player has an equal chance no matter what class, race, color, creed, or national origin, is an All-American approach.

I am a conservative Black and see the new cultural conservatism as being dedicated to making public policies that are compassionate and caring. I believe that you can be conservative and committed to civil rights and against poverty.

I do not concede that you have to be communist too believe in peace -- I do not believe that you have to be liberal to believe in economic justice, economic opportunities and economic empowerment for all our people. However, be that as it may, I see the Honorable Jack Kemp as a progressive conservative who know how to work with liberals and advocates of varieties of political philosophies -- an activist who knows how to work with those who are less active than himself.

I see him as a man with a plan that will help make possible a better way of life as a result of his work as President Bush's appointee to the position of Secretary of Housing and Urban Development. I see him as a leader who will improve confidence among the business leadership and the grass-roots leadership, the advocates for the poor and the supporters of the rich. I see him as a advocatce of policies that can make the poor richer without making the rich poorer. As such an advocate I see him implementing policies put in place by this Banking, Housing and Urban Affairs Committee with a sound Kemp Administration, unquestionable accountability, and excellent community relations. Landlords and Tenants - Realtors, Builders, Mortgage Bankers -- civil rights organizations and political organizations can see a light at the end of the tunnel when a man like this take on this assignment. Whatever crisis of confidence may or may not be perceived to exist in this arena at the end of the Reagan Administration. The Bush appointment of Jack Kemp is to me the first step in a long journey to dispel the doubt, alleviate the fears and move beyond the crisis to a new way for a new day.

I strongly urge your confirmation of this nomination.

Thank you.

Reverend Maurice Dawkins

CITY OF BOSTON • MASSACHUSETTS

OFFICE OF THE MAYOR
RAYMOND L. FLYNN

January 26, 1989

The Honorable John F. Kerry
U.S. Senate
362 Senate Russell Office Building
Washington, DC 20510

Dear Senator Kerry:

I would like to submit for the record my strong support for President Bush's nomination of Jack Kemp as Secretary of Housing and Urban Development.

I recently had the opportunity to meet with Mr. Kemp and was pleased to see the degree of enthusiasm, energy and ideas which the Secretary-designate has for the pressing issues of urban America.

I was also pleased that Mr. Kemp responded favorably to my invitation to him to speak at the United States Conference of Mayors Winter Meeting, which he did on January 18, as well as my invitation for him to see the creative housing partnerships we have established in Boston -- partnerships which can serve as a model for future national housing policy.

I believe that Jack Kemp intends to be an activist in addressing the issues of homelessness, poverty and the lack of affordable housing for poor and working families and I hope the Congress will not only confirm Mr. Kemp but also provide him with the resources necessary to put HUD back in business after eight years of neglect.

Sincerely,

Ray Flynn

Raymond L. Flynn
Mayor of Boston

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NATIONAL MULTI HOUSING COUNCIL
Suite 620 • 1250 Connecticut Avenue N.W. • Washington, D.C. 20036 • (202) 659-3381

January 27, 1989

Senator Donald W. Riegle
Chairman
Senate Banking, Housing and Urban Affairs Committee
534 Dirkson Office Building
Washington, DC 20510-6075

Dear Mr. Chairman:

I am writing to you in my capacity as President of the National Multi Housing Council ("NMHC") to express our unqualified support for Jack Kemp's nomination to be the next Secretary of the U.S. Department of Housing and Urban Development.

Based in Washington, DC, NMHC represents the interests of the largest and most prestigious organizations in the country participating in the multifamily rental housing market. NMHC's members are engaged in all aspects of the development and operation of rental housing, including the building, ownership, financing, management and conversion to condominium of such properties. Together, its members are responsible for well in excess of a million rental units.

We believe that Mr. Kemp is exceedingly well-qualified to administer the federal government's various housing programs and to lead the nation's efforts to resolve many of the most pressing problems facing us today. In particular, we are heartened by Mr. Kemp's recognition of the serious problem of housing affordability. In an increasing number of communities, low- and middle-income families are being priced out of the housing market. Remedying this problem will depend on the joint and concerted efforts of the new Administration, Congress and the housing industry.

We believe that Mr. Kemp will forcefully and aggressively address this and other problems in the nation's housing supply and that he will give the federal housing agenda the attention it needs and deserves. We look forward to working with him, as the next Secretary of HUD, and with your Committee in developing creative and effective mechanisms for increasing the nation's supply of affordable housing.

Sincerely,

Jonathan L. Kempner
National Multi Housing Council
President

cc: Senator Alan Cranston, Chairman, Senate Housing and Urban Affairs Subcommittee